

The Internet as a Tool for Small and Medium Enterprise Development in Ukraine

Author's Name: Steve Mintz, Tatiana Lawrence
Title: The Internet as a tool for Small and Medium Enterprise Development in Ukraine
Project: BIZPRO
Contract#: 121-C-00-00-00831-00
Sponsoring Office: USAID/Kiev
Contractor: Development Alternatives, Inc.
Date of Publication: January 18, 2002

INTRODUCTION

The **BIZPRO** Project supports the development of small and medium enterprises (SMEs) in Ukraine with funding from the United States Agency for International Development (USAID) and implemented by Development Alternatives, Inc. (DAI) and its subcontractors. One aspect of this support is to identify and potentially assist in the development of web-based technologies that will contribute to the growth and development of SMEs in Ukraine. In order to develop a better understanding of the role that the Internet plays in supporting SMEs in Ukraine and to define specific constraints and opportunities for future development, BIZPRO engaged the Ukrainian Marketing Group to conduct this survey.

Ukrainian Marketing Group® (UMG®) is a private, independent research and consulting company founded in 1994. To make it easier to investigate the market, for successful brand positioning and product launch and to lower investment risk, UMG® provides a full range of market research services in Ukraine, Belarus, Moldova and other FSU countries.

Research objectives:

1. Better understand the role that the Internet presently plays in supporting micro, small and medium enterprises in Ukraine;
2. Define specific constraints that limit Internet access, mastery, and content for Ukrainian SMEs and organizations that support SMEs; and
3. Identify specific activities that can overcome these constraints, thereby increasing the utility of the Internet as a tool for SME strengthening in the Ukraine.

Definitions of surveyed companies:

- **Internet users** - SME companies that use the Internet
- **Internet non-users** - SME companies that do not use the Internet
- **Support organizations** - Internet users and Internet non-users including training centers, business centers, business incubators, consulting firms, business associations, research centers, community development organizations, and micro finance institutions
- **ISPs** - Internet service providers
- **Web content providers** – companies that store and spread information on the Internet
- **Public facilities** – Organizations that provide access to the Internet for clients/visitors and Internet cafes/clubs.

The Internet was studied from three perspectives:

- **Internet Access**- The obstacles, degree of interest, and plans for gaining Internet access for non-users; the type and location of access for Internet users.
- **Internet Mastery**- The extent to which SMEs and Support Organizations are aware of the Internet, have basic (novice-level) Internet skills, and are able to effectively use the Internet for business applications: Supply chain management, sales and marketing, improving internal operations, and exploring the external environment.
- **Internet Content** – The degree to which the SMEs, Support Organizations, ISPs, and Web content providers contribute to, and the extent to which they use, web content. Here web-content includes not only information but also services like on-line consulting and on-line training.

Timing of Survey

Market research was conducted between June and September, 2001

Organization and Management of Survey

Organization and management of the survey was conducted by Ukrainian Marketing Group®

This report was prepared by the UMG Team in collaboration with BIZPRO staff and Mr. Steve Mintz, International Development Professionals (IDP), one of DAI's subcontractors for BIZPRO.

At UMG:

Dmitriy Gaiduk – Senior Project Manager
Alexander Siniakevich – Project Manager
Alexander Oleinichenko – Head of Analytical Department

The views and opinions expressed in this report are solely those of the authors and do not necessarily reflect the position of BIZPRO, DAI and USAID.

This report is published in both English and Ukrainian. However the English version will prevail in the event of any ambiguity.

Copies of report can be obtained at BIZPRO office:

***BIZPRO Project
11 Mikhailivska vul., 3rd floor
01001 Kyiv Ukraine
Tel: 380-44-568-5938
Fax: 380-44-568-5939***

EXECUTIVE SUMMARY

This study surveyed 400 SMEs, 80 Support Organizations, 12 ISPs, 25 Web Content Providers and 25 Public Facilities from four cities and eight towns in Ukraine. This has provided a clear picture of the survey's three objectives:

- The role that the Internet presently plays in supporting SMEs in the Ukraine
- Specific constraints that limit SME Internet access, mastery and content
- Recommendations to overcome these constraints, thereby increasing the utility of the Internet for SMEs in Ukraine

Regarding SME access to the Internet, we can say that:

- More than 50% of SMEs in Ukraine have personal computers.
- More than 20% of SMEs in Ukraine have access to the Internet
- Of SME Internet users, more than 75% use the Internet frequently
- SME demand for the Internet is high.
- At the same time, Internet users complain about poor connections and high prices.

Regarding SME mastery of the Internet, we now know that:

- There are a wide variety of uses of the Internet by the SME community
- Email, searching for business information and partners are among major uses
- Interestingly, Internet mastery doesn't vary much by size of firm
- SME Internet users have basic skills but advanced ecommerce ability is scarcer.
- Foreign language is a barrier, given limited Ukrainian/Russian content on the web.

Concerning web content, we now know that:

- About 40% of SMEs with Internet access have websites
- Most SMEs with websites don't find them terribly effective
- SMEs search most regularly for Ukrainian business information on the web.
- Yet less than 30% are satisfied with what they find regarding Ukrainian content
- Russian is the preferred language for business websites.

With respect to Support Organizations, it can be said that:

- The majority already have Internet access and use it all day long
- The majority use the Internet to provide a variety of services to their SME clients
- Almost three out of five Support Organizations with Internet access have websites
- Yet they are also disappointed with the effectiveness of their websites
- Less than 20% of Support Organizations are satisfied with Ukrainian web content.

Comparisons of SMEs in the Ukraine are also made with other nations, in order to provide an international perspective on opportunities for Ukraine. By one measure, Ukraine was ranked 45th out of 60 nations in terms of its e-business readiness.

What does this suggest?

- Internet across Ukrainian society is in its nascent stages.
- The small business sector is a leader in Internet adaptation in Ukraine
- SME Support Organizations are even more eager in pioneering Internet use
- Ukraine lags behind many countries in e-business adaptation
- Yet, there is a strong foundation for rapid growth in SME use of the Internet
- The Internet can serve as a useful tool for SME strengthening in Ukraine
- From the point of view of BizPro, this implies:
 - BizPro can use the Internet effectively in project operations
 - BizPro can contribute to strengthening the Internet as an SME tool broadly
 - Support Organizations are a good partner for Internet strengthening

Recommendations are given to strengthen the Internet to serve SMEs, and organizations that support SMEs, in Ukraine. A holistic approach is taken to:

- Increase access so that more SMEs and Support Organizations are given the opportunity to utilize the Internet
- Enhance mastery (skills) so that SMEs and Support Organizations use the Internet effectively. Mastery is broken down into three levels:
 - General awareness about the Internet
 - Basic computer/ Internet skills – not particular for business applications
 - Internet business skills – from conducting business research to conducting e-commerce applications
- Deepen and broaden content so that information and services are on-line to serve SMEs and Support Organizations.

A virtuous cycle is thereby created whereby Internet access, mastery and content dynamically reinforce each other so that the SME community in Ukraine is stronger.

The following are key findings from the perspectives of SMEs, Support Organizations, Public facilities, Internet Service Providers and Web content providers.

SMEs KEY FINDINGS

SMEs profile

- Small and medium enterprises surveyed (Internet users and Internet non-users) mainly belong to such spheres of activity as retail/ wholesale trade, manufacturing and services.
- The majority of SMEs surveyed are either limited responsibility or private companies, with respect to their ownership.
- 73% of SME Internet non-users have computers.
- SME Internet users have an average 4.92 employees for one computer at the office.
- SME Internet non-users have an average 18.38 employees for one computer at the office.
- SME Internet users have more external phone lines and computers than SME Internet non-users.

Purposes of computer and Internet usage

- The main purposes for which computers are used by SME Internet users are E-mail, Internet and accounting. SME Internet non-users mainly use computers for accounting, databases and word processing.
- The majority of SME Internet users started to use the Internet for business purposes to search for information, carry out business correspondence, and transfer data and information. SME Internet non-users would start to use the Internet for the same reasons.

Obstacles influencing Internet usage

- The three most important obstacles facing SME Internet users are the low quality of Ukrainian web content (47.5%), the high cost of Internet access (42%), and the lack of financial resources (36.5%).

The three most important obstacles facing SME Internet non-users (for respondents and other SMEs) are their lack of financial resources, low awareness about Internet usage among company personnel, and the high cost of Internet access.

- Factors that would influence SME non-users to acquire Internet access are mostly related to finance: 16.2% would obtain Internet access in case of increasing incomes, and 13.1% would start using the Internet if prices were affordable or cost of services were reduced.
- Most Internet non-users (58.5%) do not know other SMEs that work in their sphere of business and use the Internet. Consequently, there is low general awareness among SME Internet non-users about companies that have benefited from the Internet.

Access

- Most SME Internet users have Internet access at offices. Only 7% of SME Internet users visit public facilities for Internet access and do not have access at their enterprises, explaining that they have no need for permanent access.
- 69.5 % of SME Internet users have mainly dial-up Internet access.
- 35% of SME Internet non-users plan to start using the Internet in the next year. 53.5% of SME Internet non-users will not start using the Internet in the next year because of financial problems (36.9%) and because they see no necessity for gaining Internet access (27.7%).

- Only 4.3% of SME Internet non-users plan to use public facilities for Internet access. Presently, most SME Internet non-users do not use public facilities because they believe them to have an inappropriate environment and high costs for Internet services.
- SME Internet non-users believe they will pay significantly less for Internet access than SME users currently pay.

Importance of Internet characteristics

- The most important Internet characteristics for SME Internet users are speed of data transmission (77.5%), speed of connection (75.5%), and reliability of connection (75.5%). SME Internet users are not satisfied with these Internet performance characteristics.
- The most important Internet characteristics for SME Internet non-users are cost of Internet services (68.6%), reliability (65.7%) and speed of connection (57.1%)

Mastery

- Top management of SMEs almost universally use the Internet, 60% regularly. SME accountants, sales specialists, managers, marketing departments, IT staff and supply managers also use the Internet.

Internet basics

- The majority of SME Internet users most often use email and search for information, which is what SME Internet non-users also plan on doing. However, most SME Internet users don't join on-line discussion groups or forums, and SME Internet non-users have little interest either.

Order and delivery

- SMEs mainly search for Ukrainian suppliers and equipment on the Internet. SME Internet users as well as non-users are mostly oriented towards Ukrainian suppliers.
- Up to 30% of SME Internet users and the majority of SME Internet non-users require external help to use the Internet for ordering and delivery. Both SME Internet users and non-users require external help in the form of more web content as well as training and literature to more effectively use the Internet for order and delivery

Marketing and sales

- SMEs are mainly oriented towards the Ukrainian market while promoting their products and services to consumers.
- SME Internet users primarily use the Internet to search for potential clients, and to promote their firm. Not more than 10% of them allow for payment through Internet, simplify delivery and employ other Internet possibilities for marketing and sales.
- SME Internet non-users plan to use all Internet marketing and sales possibilities, and more often than they are currently used by SME Internet users.
- Up to 30% of SME Internet users require help in using the Internet for marketing and sales. Those who require help would appreciate more web content as well as training and literature. The majority of SME Internet non-users require help in conducting marketing and sales over the Internet. SME Internet non-users would appreciate more external assistance in the form of training and literature.

Improvement of business operations via Internet

- SME Internet users regularly use the Internet to search for information about new products, equipment and technologies (41%); and management, accounting and legislation (30.5%).
- SME Internet non-users will use the Internet primarily to search for information, most importantly for information about new products, equipment and technologies (51,4%).
- Up to 34% of SME Internet users require help in using the Internet to improve their business operations. The majority of SME Internet non-users require help in improving business operations via the Internet. SMEs Internet non-users would appreciate more external assistance in the form of training/literature.

Information about external environment via Internet

- SME Internet users most often search the Internet for business, financial and economic information about the Ukraine (32%) as well as information about Ukrainian national policy and laws (25.5%).
- SME Internet non-users will use the Internet to search for information about Ukraine; primarily business, financial and economic information (58.6%).
- Up to 30% of SME Internet users believe they need external help in using the Internet to learn about the external environment. They are more interested in increasing web content than in training and literature about the Internet.

A more significant share of SME Internet-non-users (up to 48.6%) desire external help to search for information about the external environment. They are mostly interested in training and literature, rather than in more web content.

Content

- Only up to 30% of SME Internet users consider that there is a lot of web content on the Ukrainian market. The remaining SME Internet users do not think that there is enough web-content. More than 50% of SME Internet non-users do not know how much web content is available.
- 38.5% of SME Internet users have their own web sites, mainly built by in-house design specialists. Only 36% of SME Internet users evaluated their web site as effective.
- 40.5% of SME Internet-users, which do not have web sites, plan to create web sites in the next 6 months.

Sources of information about the Internet

- For SME Internet users the best sources of information about the Internet are leaflets/books, consultations and CD ROMs. The main type of information that SME Internet users would like to receive from these sources would be information about how to use business applications of the Internet. The majority of Internet users are willing to pay for this information, as well as for basics of fundamental Internet usage.
- The majority of SME Internet non-users had difficulty answering questions concerning the best sources of information about the Internet (65%).
- SME Internet non-users are most interested in business applications about the Internet (66.7%) that are provided by a specialist/consultant and provided in CD-ROMs. (78.9%).
- Most SME Internet non-users (55.7%) do not know where to find such support. The majority of SME Internet users (64%) know where to get such support.

SUPPORT ORGANIZATIONS KEY FINDINGS

Profile of Support Organizations

- Surveyed Support Organization Internet users mainly are community development organizations (35.3%), consulting firms (27.5%) and business centers (19.6%). The majority of Support Organization non-users are community development organizations (44.8%), consulting firms (20.7%) and micro finance institutions (17.2%).
- Support Organization Internet users mainly are small sized organizations (72.5%). Support Organization Internet non-users mainly are micro-size companies (51.7%) and small size companies (37.9%).
- Support Organization Internet users have an average 3.4 employees for one computer.
- Support Organization Internet non-users have an average 7.9 employees for one computer.

Profile of SME Clients of Support Organizations

- Each Support Organization Internet user has an average of 360 SME clients. The majority of these Support Organizations (54.9%) believe that the most of their SME clients have Internet access and another 39.2% of these Support Organization Internet users believe that some of their SME clients have Internet access. Support Organization Internet non-users have an average of 50 SME clients. 20.7% of Support Organization Internet non-users consider that many of their SME clients have Internet access; 37.9% believe that some SME clients have Internet access.

Services provided to SMEs by Support Organizations

- Most services provided to SMEs by Support Organization Internet users are: information services (64.7%), and consulting services (60.8%).
- Most services provided to SMEs by Support Organization Internet non-users are: information services (48.3%), legislation support (44.8%) and business policy/advocacy (37.9%).
- 76.4% of Support Organization Internet Users provide their services for SMEs through the Internet. The most provided services through the Internet are informational services (54.2%), market research (33.3%) and search for business partners (29.2%).

Main purposes of computer and Internet usage

- All Support Organization Internet users use computers for the Internet; most often for such purposes as E-mail (93.8%) and search for information (75.0%).
- Support Organization Internet non-users use computers for databases (62.1%), accounting (55.2%) and word processing (51.7%). Support Organization Internet users also use their computers for the same purposes, but with much higher percentages, ranging from 84-94%.
- The main reasons for Support Organization Internet users to obtain Internet access were for business correspondence, data/information transfer, and to search for business information.

Obstacles influencing Internet usage

- The main factors which pose as obstacles for Support Organization Internet users to use the Internet are: low quality of Ukrainian web content (43.1%), lack of financial resources (41.2%) and high cost of Internet access (39.2%).

For Support Organization Internet non-users, the main factors which pose as obstacles to Internet use mostly are financial: Lack of financial resources (86.2%) and high cost of Internet access (65.5%).

ACCESS

Type of access

- 54.9% of Support Organization Internet users use dial-up, and 47.1% use leased lines. Only 2% of Support Organization Internet users have Internet access out of the office.
- 81.3% of Support Organization-potential Internet users plan to use dial-up, and 37.5% plan to use leased lines.

Importance and satisfaction of Internet characteristics

- When choosing an ISP for Internet access the most important factors for Support Organization Internet users and Internet non-users are: reliability of connection, cost of Internet services, and speed of data transfer and speed of connection.
- Support Organization Internet users are more satisfied with dial-up access than use of leased lines.

Mastery

- The Internet is primarily used by top management and IT specialists in Support Organizations that use the Internet. Both groups use the Internet regularly.

Internet basics

- The majority of Support Organization Internet users most often use e-mail and search for information, which is what Support Organization Internet non-users also plan on doing. Most Support Organization Internet users don't join on-line discussions or forums, and potential Support Organization Internet users have little interest either.

Order and delivery

- Among Internet services related to order and delivery the most popular for Support Organization Internet users are search of information about Ukrainian business suppliers and equipment (39.2%). Support Organizations Internet non-users most of all are interested in searching for information about supplies and equipment (40% - 50%).
- Support Organization Internet users would appreciate assistance in having more web content available for searching for information about Ukrainian business suppliers (31.4%). Another 11.8% of Support Organization Internet users desire training and literature.
- The majority of Support Organization Internet non-users require help (from outside) to use these Internet services

Marketing and sales

- Support Organization Internet users most regularly search for information about Ukrainian markets when using the Internet for marketing and sales (41.2%). Support Organization Internet non-users intend to regularly use the Internet to promote their firm to Ukrainian businesses and consumers (50.0%).

- The majority of Support Organization Internet users do not require help for marketing and sales via the Internet.
- Most Support Organization Internet non-users require help (from outside) to promote their organization to Ukrainian businesses and consumers via the Internet.

Improvement of business operations via Internet

- Support Organization Internet users regularly seek to improve business operations over the Internet by searching for information about management, accounting and legislation (58.8%) and receiving such information interactively (47.1%). Support Organization Internet non-users plan to regularly search for information about management, accounting and legislation (90.0%), and receive online management, accounting and legal information (80.0%).
- Only up to 14% of Support Organization Internet users believe they require external help to improve business operations over the Internet.
- More than 50% of Support Organization Internet non-users require help from outside to better utilize the Internet to improve their business operations.

Information about external environment via Internet

- To receive information about the external environment through the Internet, employees of Support Organization Internet users and non-users search for business, financial and economic information about Ukraine (58.8% and 60.0% respectively), about Ukrainian national policy (58.8% and 50.0% respectively) and information about local governmental policies (49.0% and 50.0% respectively).
- Approximately 30%-40% of Support Organization Internet users would like outside help to search for information about their external environment over the Internet.
- About 60% of Support Organization Internet non-users need help to identify business, financial and economic information about Ukraine, and information about local/national government policies, laws and regulations.

Content

- The majority of Support Organization Internet users (58.8%) have web sites. 25.5% of Support Organization Internet users which do not have web sites plan to create web sites in the next six months.
- The majority of Support Organizations consider that there is a lack of web content about order and delivery, marketing and sales, improvement of business operations and information about the external environment.

Sources of information

- Organized training is considered to be the best source of information about the Internet by both Support Organization Internet users and non-users.
- Support Organization Internet non-users would like organized training on Internet basics and business applications of the Internet.

PUBLIC FACILITIES KEY FINDINGS

- The majority of public facilities surveyed are Internet cafes (60%) or Internet clubs (28%).
- Mainly public facilities have up to 20 computers, up to 10 employees and provide Internet access by leased line.
- The most important characteristics of Internet services for public facilities are speed of data transmission, speed of connection, reliability of connection and cost of Internet services.
- Public facilities evaluated the quality of services provided to them as good, prices as acceptable and state that they do not have any problems within their own technical staff.
- The majority of public facilities consider that providing Internet services is profitable for them and plan to expand their business. Also they think that Internet services will dynamically grow in next two years. The most prospective services, to their mind, will be leased lines and IP telephony.
- Internet cafes provide such services as: Internet services, printing documents, rent computer time for work and computer games. Besides Internet services, Support Organizations also provide training in computer skills and scanning.
- Clients most often use the Internet for communications (E-mail, chat, ICQ, AOL, etc.).
- Public facilities believe that the presence of business related web sites need to be broadened as well as business sites in Russian and Ukrainian languages.
- The most numeric group of public facility clients belongs to the 6-22 age group: college students and school students.
- For Internet cafes, the ratio between individual (46.7%) and corporate (53.3%) clients is approximately equal. However, Internet cafes see individual users (85.7%) as their main market segment. Only 20% of Support Organizations have corporate users. Yet, Support Organizations are oriented equally to both corporate and individual clients.
- The majority of SME clients belong to wholesale or retail trade sphere of activity.
- Managers of public facilities believe that the main obstacles that SMEs face in using the Internet are: low awareness about Internet among personnel of companies (52.0%), lack of financial resources (40%) and high cost of Internet access (40%).
- According to public facilities, the main obstacle which influences their development is the low level of population income (68.0%).
- Public facility managers believe that SMEs primarily require basic training programs about the Internet.
- Public facility managers believe that the most effective means to increase Internet demand among SMEs and others is by providing discounts. Beyond this, SME demand for Internet services can be increased by developing web-design and IP telephony services, updating information on web-sites, improving Ukrainian search engines, and conducting basic Internet training programs.

ISPs KEY FINDINGS

- The majority of ISPs surveyed (91.7%) are private companies.
- The majority of ISPs have up to 10 employees (66.7%).
- The services provided most often by ISPs for their clients are: Dial-up (100%), leased line (100%), domain registration (100%), creating web-site/web design (91.7%), hosting (91.7%), and creating LANs (83.3%). The same services are considered by ISPs as the most prospective at least for the next two years.
- The current market strategy of the majority of ISPs surveyed is to increase investments in the main sphere of activity (50.0%) as well as keep the same investments (41.7%).
- Most ISPs have 2-3 external channels including foreign channels.
- Currently, 63.5% of transit external channels and 55% of direct external channels are used by surveyed ISPs.
- The majority of ISPs plan to increase the number of access channels.
- The main obstacles for Internet development in cities are: high level of telephone line monopolization (50%) and low level of population income (41.7%).
- The main obstacles for Internet development in towns are high level of telephone line monopolization and lack of technical opportunities to provide Internet services.
- According to ISPs, the main obstacle for SMEs to use the Internet is low awareness about Internet usage among personnel of companies.
- ISPs estimate the availability of business related web sites in Ukraine as low (50%) and average (50%).
- Corporate users are the main business segment for the majority of surveyed ISPs (66.7%). In the future, ISPs believe that the share of private users will increase.
- On average the share of corporate users amounts to 48% of total number of ISP users. Among ISP corporate clients, the majority are SME companies.
- In order to increase demand for Internet services among SMEs, ISPs believe it is primarily necessary to first develop banking operations through the Internet.
- Surveyed ISPs also believe that web content needs to be improved in the following directions to increase SME demand for the Internet: Update information on web-sites, improve and develop search engines and increase the presence of Ukrainian companies on the Internet. Advanced Internet training programs as well as advertising campaigns would best assist SMEs to use more web-content, in the opinion of surveyed ISPs.
- The majority of ISPs have problems cooperating with Ukrtelecom. The main problem cited in cooperating with Ukrtelecom is the monopoly policy of Ukrtelecom.

WEB CONTENT PROVIDERS KEY FINDINGS

- The majority of surveyed web content providers (68%) are companies which provide web content in addition to their main sphere of activity.
- Web content services make up a small share of company turnover compared to other services provided.
- The most widespread services provided by web content providers are: creating web-sites/web-design (88%), domain registration (88%) web hosting (84%), and creating and placing advertisements on the Internet (80%).
- However, web content providers consider the most prospective services to be leased lines (60%) and IP telephony (52%) – not providing web content.
- Currently the most provided type of web content is news (72%) directed to cover as many Internet users as possible.
- Surveyed web content providers mainly plan to develop web content for the corporate sector by providing more information about Ukrainian business partners and markets (20%), management information and consulting services (16%), and information for start-up business (16%).
- Among corporate users the main share of them belong to SMEs (87%).
- The majority of SMEs, which use web content, belong to tourism, medicine, education (52.2%), wholesale/retail trade (39.1%) and telecommunication (34.8%) sectors.
- Web content providers believe that SMEs most frequently use information about Ukrainian business partners and markets (60.9%), and prices, products and suppliers (47.8%).
- Web content providers believe that it is necessary to first develop banking (84%) and e-commerce (76%) services in order to increase SME demand for Internet services.
- To increase demand for Internet services among SMEs, web content providers believe that web content first needs to be improved in the following directions: Update information on web-sites (80%), and increase the presence of Ukrainian companies on the Internet (72%).
- Advertising campaigns (64%), articles in specialized magazines/publications (44%) and seminars/conferences (44%) would best assist SMEs to use more web-content, in the opinion of web content providers.
- According to web content providers, the main obstacles for developing web content in Ukraine are the lack of financial resources/investment (60%) and non-profitable content projects (56%).
- On the whole, availability of business web sites was estimated by web content providers as low and very low (44%).

METHODOLOGY

Method

- Interview “Face-to-face”

Criteria of recruitment

Top management and personnel responsible for Internet decisions were surveyed.

All surveyed SMEs were privately owned

Surveyed Support Organizations provide services to SMEs for a fee.

Sample structure

Sample included:

- SMEs that broadly represent the BIZPRO target groups by size of firm and nature of industry, and location (Internet users and Internet non-users).
- SME Support Organizations that provide services to SMEs for a fee (Internet users and Internet non-users): training centers, business centers, business incubators, consulting firms, business associations, research centers, community development organizations, and micro finance institutions
- Internet access providers: ISPs
- Internet access providers: Public Facilities
- Web content providers

Cities	SMEs		Support organizations		ISPs	Web content providers	Public facilities
	Users	Non-Users	Users	Non-Users			
Kiev	25	25	13	3	5	12	6
Lvov	25	25	11	4	1	3	5
Kharkov	25	25	7	5	1	5	5
Odessa	25	25	9	6	1	5	5
Vinnitsa	12	13	3	1	1	-	1
Poltava	13	12	-	-	-	-	-
Ivano-Frankovsk	12	13	2	2	1	-	1
Rovno	13	12	-	-	-	-	-
Kramatorsk	13	12	2	4	1	-	1
Lugansk	12	13	-	-	-	-	-
Nikolaev	12	13	-	-	-	-	-
Kherson	13	12	4	4	1	-	1
Total	200	200	51	29	12	25	25

Overall number of respondents surveyed makes up 542.

In the framework of this survey Kiev, Lviv, Kharkiv, and Odessa are referred to as “cities”, while the rest of the above-listed are referred to as “towns”.

SMEs industry breakdown:

	SME Internet users	SME Internet non-users
Mass media	1.5%	1.5%
Services (education, tourism, food, etc)	22.0%	27.5%
Finance and insurance (banking, insurance, financial)	1.5%	0.5%
Transport	4.5%	4.0%
Manufacturing	27.5%	28.0%
Construction and building	9.0%	9.0%
Retail/wholesale trade	29.5%	29.0%
Telecommunication (paging)	3.5%	0.5%

MICRO-, SMALL AND MEDIUM ENTERPRISES (SMEs)

Profile of SMEs

- SMEs (Internet users and Internet non-users) mainly belong to such spheres of activity as: retail/wholesale trade, manufacturing and services. The majority of SMEs has been on the Ukrainian market about 10 years (average SME Internet non-users are a bit less on the market than SME Internet users).
- The majority of SMEs (both Internet users and Internet non-users) are small enterprises. But among SME Internet non-users, the share of microenterprises is greater than among SMEs Internet users. Among SMEs Internet users the share of medium enterprises is greater than among SMEs Internet non-users.
- The majority of SMEs surveyed are either limited responsibility or private companies, with respect to their ownership. But among SMEs Internet users, the share of companies that have limited responsibility ownership is larger than among SMEs Internet non-users. Among SME Internet non-users the share of private companies, collective enterprises and cooperative societies is larger than the corresponding shares among SMEs Internet users.
- Each fourth company among SME Internet users and each tenth among SME Internet non-users is a member of a member of a business association or union.

	SME INTERNET USERS	SME Internet non-users
? 2. What is the sphere of activity of your company? (%)		
Retail/wholesale trade	29.5	29
Manufacturing	27.5	28
Services	22	27.5
Construction and building	9	9
Transport	4.5	4
Telecommunications	3.5	0.5
Mass media	1.5	1.5
Finance and insurance	1.5	0.5
Advertising agencies	0.5	-
Legislation companies	0.5	-
? 5. How long has your organization been in the market? (%)		
1-5	43.5	55.5
6-10	41.5	33.5
11-20	5	3
21-30	3	2.5
31+	5	4.5
Difficult to answer	2	1

	SME INTERNET USERS	SME Internet non-users
? 11. How many employees work in your organization (total number of employees)? (%)		
Microenterprises - up to 5 employees	8.5	20
Small enterprises - 6-50 employees	65	64
Medium enterprises - 51-250 employees	26.5	16
Mean	59.1	38.6
? 6. What is the form of ownership of your company? (%)		
Limited responsibility company	44	31
Private company	27.5	37
Closed shareholding company	12.5	7.5
Public shareholding company	8.5	10.5
Joint enterprise	4.5	1.5
? 7. Is your organization a member of any business associations or unions? (%)		
No	76	90
Yes	24	10
Base (number of enterprises)	200	200

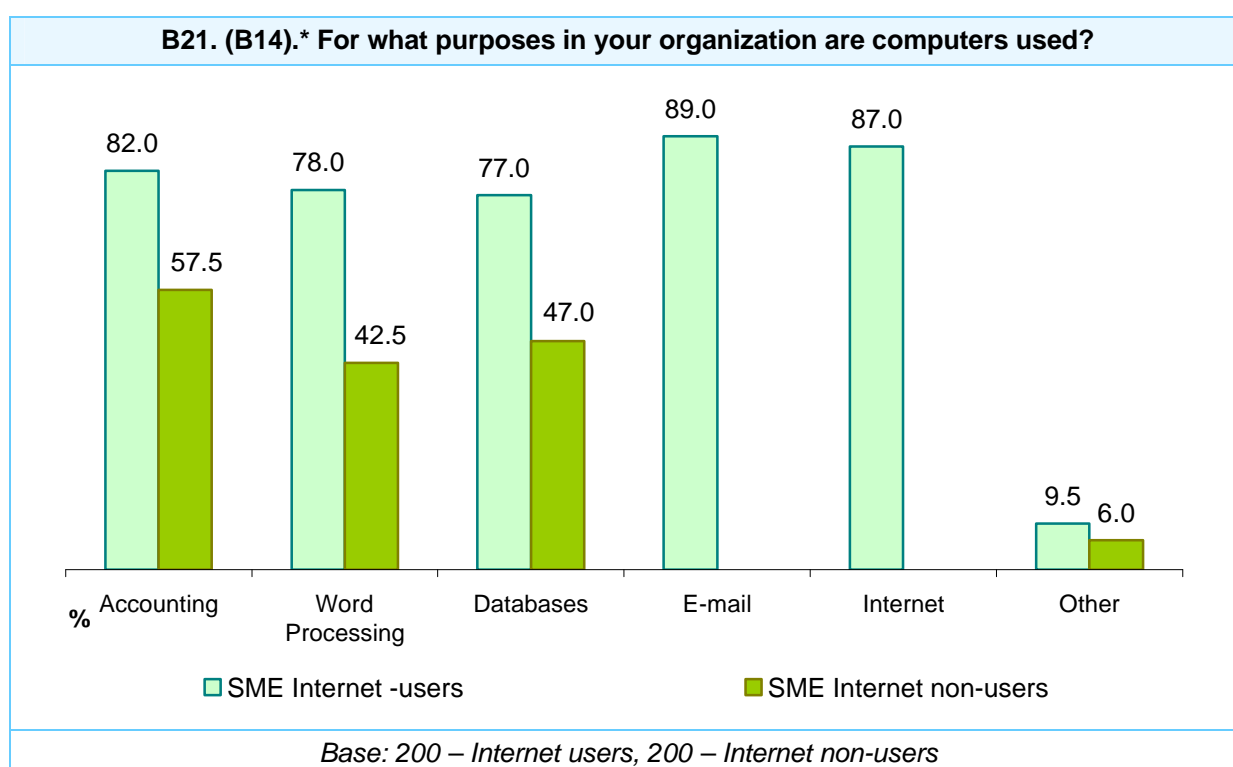
- 73% of SME Internet non-users have computers /? 12/.
- SME Internet users have an average 4.9 employees for one computer at the office
- SME Internet non-users have an average 18.4 employees for one computer at the office
- SME Internet users have more external phone lines and computers than SME Internet non-users. An average SME Internet user has 6.9 external phone lines compared to 3.2 for an SME Internet non-user

	SME Internet users	SME Internet non-users
? 22, B15. How many external phone lines does your organization have?		
Mean	6.9	3.2
? 12. How many computers does your organization have?		
Mean	12.0	2.1
? 13. How many employees in your company work with computers?		
Mean	16.7	5.0
? 14. How many computers in your organization have the Internet on them?		
Mean	7.1	-
? 15. How many employees in your organization use the Internet?		
Mean	10.9	

	SME Internet users	SME Internet non-users
? 16, 17. How many hours does your organization usually use the Internet?		
Mean (per day)	4.0	-
Mean (per month)	73.3	-

Main purposes of computer usage

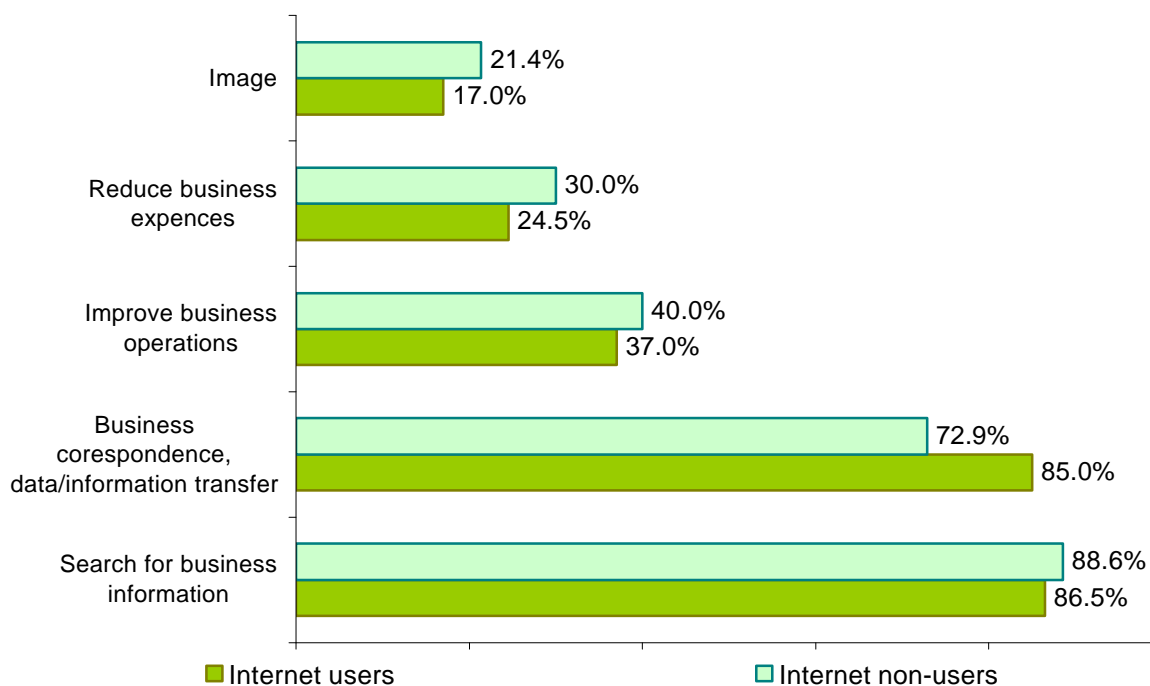
- The main purposes for which computers are used by SME Internet users are E-mail, Internet and accounting /**B21**/. SME Internet non-users mainly use computers for accounting, databases and word processing /**B14**/.



- 30% of the SME Internet users surveyed acquired Internet access in the year 2000.
- On average, SME Internet users are on-line for 4 hours per day.
- The majority of SME Internet users started to use the Internet for business purposes to search for information, business correspondence and data/information transfer /**B48**/.
SME Internet non-users would start to use the Internet for business purposes for the same reasons as Internet users.

** The question number indicated without brackets refers to the Internet users' questionnaire, while the one indicated in brackets – to Internet non-users' questionnaire.*

B48. (B31.) What are the main reason you started / would start to use Internet for business purposes?

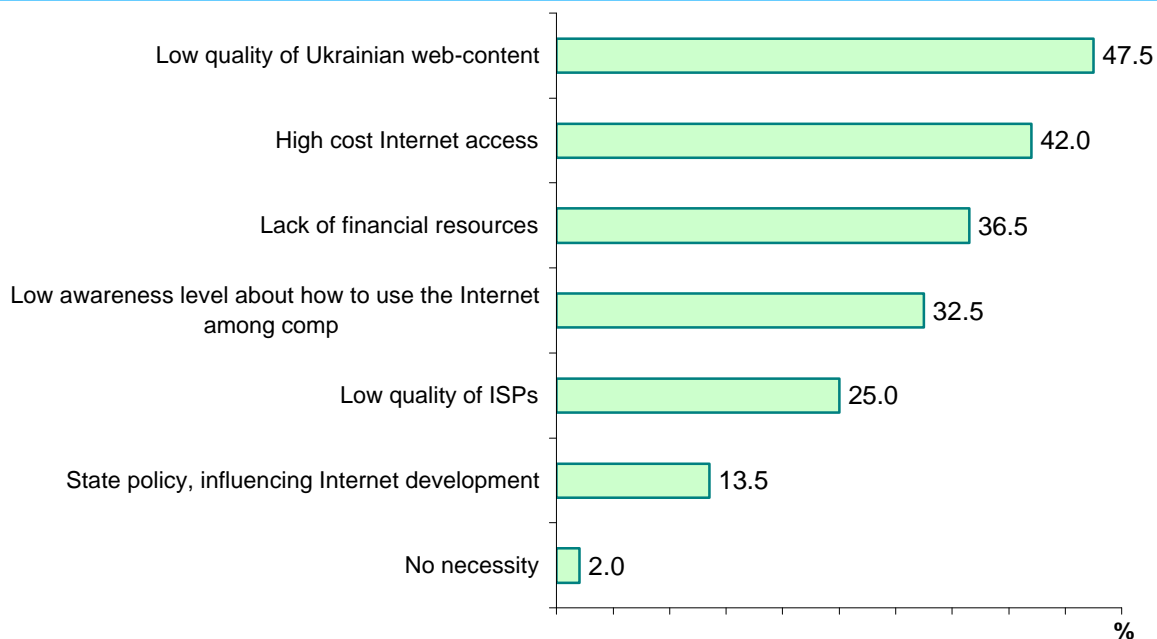


Base: 200 – Internet users, 70 – Internet non-users (planning to use Internet)

Main obstacles

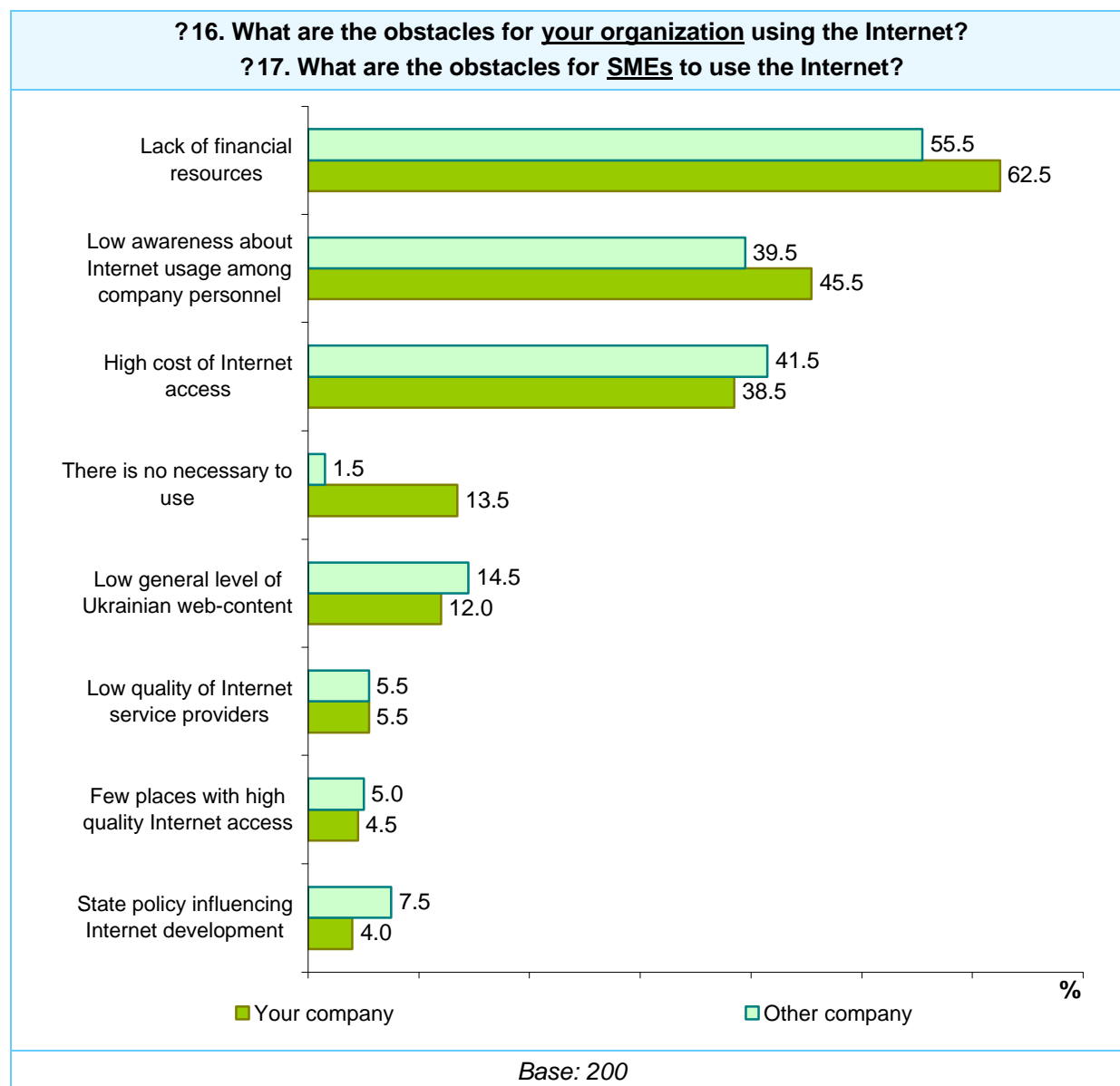
- The three most important obstacles facing SME Internet users to use the Internet are low quality of Ukrainian web-content (47.5%), high cost of Internet access (42%) and lack of financial resources (36.5%) /B92/.

?92. What are the three most important obstacles for your organization to not use Internet?



Base: 200

- The three most important obstacles facing SME Internet non-users to use the Internet are: lack of financial resources, low awareness about Internet usage among company personnel and high cost of Internet access /**B16, B17**/.



- 53.5% of SME Internet non-users will not start accessing the Internet over the next year. /**B29**/

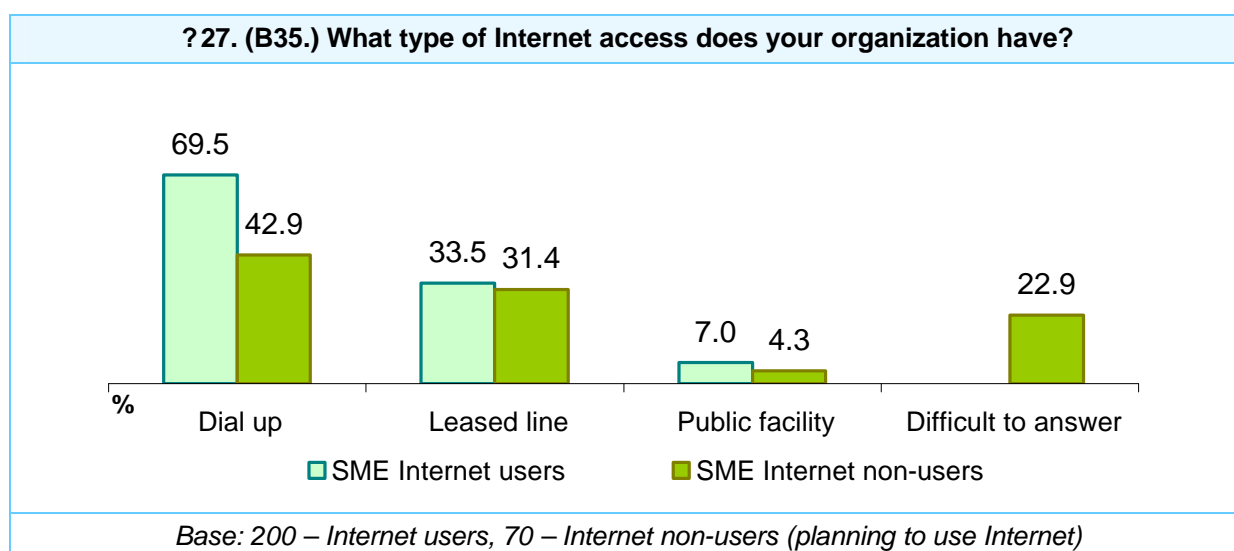
The main reasons cited were financial problems (36.9%) and simply because these SME Internet non-users don't consider the Internet to be a necessity (27.7%). /**B64**/ Factors that would influence those SMEs to get Internet access are mostly related to finance: 16.2% would get Internet access in case of increasing incomes, and 13.1% would start using the Internet if prices were affordable or cost of services were reduced. /**B65**/

- Most SME Internet non-users (58.5%) do not know about other SMEs that work in their sphere of business and use the Internet. /**B24**/ Consequently, there is a lack of general awareness among them about companies that have benefited from the Internet.

ACCESS

Type of access

- As a rule, all SME Internet users have Internet access at offices. Besides, 7% of SME Internet users use public facilities for Internet access.
- 35% of SME Internet non-users plan to start using the Internet in the next year /B29/. 45.7% of these SMEs gathered information about Internet providers and 24.3% already got in touch with them /B30/.
38.6% of SMEs which plan to start using the Internet have already made decisions regarding which ISPs they will use for Internet access /B33/.
- 69.5% of SME Internet users have mainly dial-up Internet access, that reduces the effectiveness of Internet usage (compare to leased lines) /B27/. 42.9% of SME Internet non-users also mainly plan to use dial-up access /B35/.



- 85.7% of SME Internet users that visit public facilities utilize Internet cafes (mainly to search for information), as a rule, 1-3 times a month /B42, B43, B45/. These SME Internet users see no need to acquire permanent Internet access at their offices. /B44/.
- According to SME Internet non-users only 4.3% plan to use public facilities for Internet access /B35/.
SME Internet non-users do not use public facilities because they view public facilities as having an inappropriate environment or because the costs of Internet services are just too high. /B28/.

Cost of access

- SMEs which have dial-up Internet access pay an average of 162.4 UAH per month. /B31/ SMEs which have leased lines pay an average 628 UAH per month /B37/
- SME Internet non-users plan to pay significantly less for Internet access than SME users currently pay.

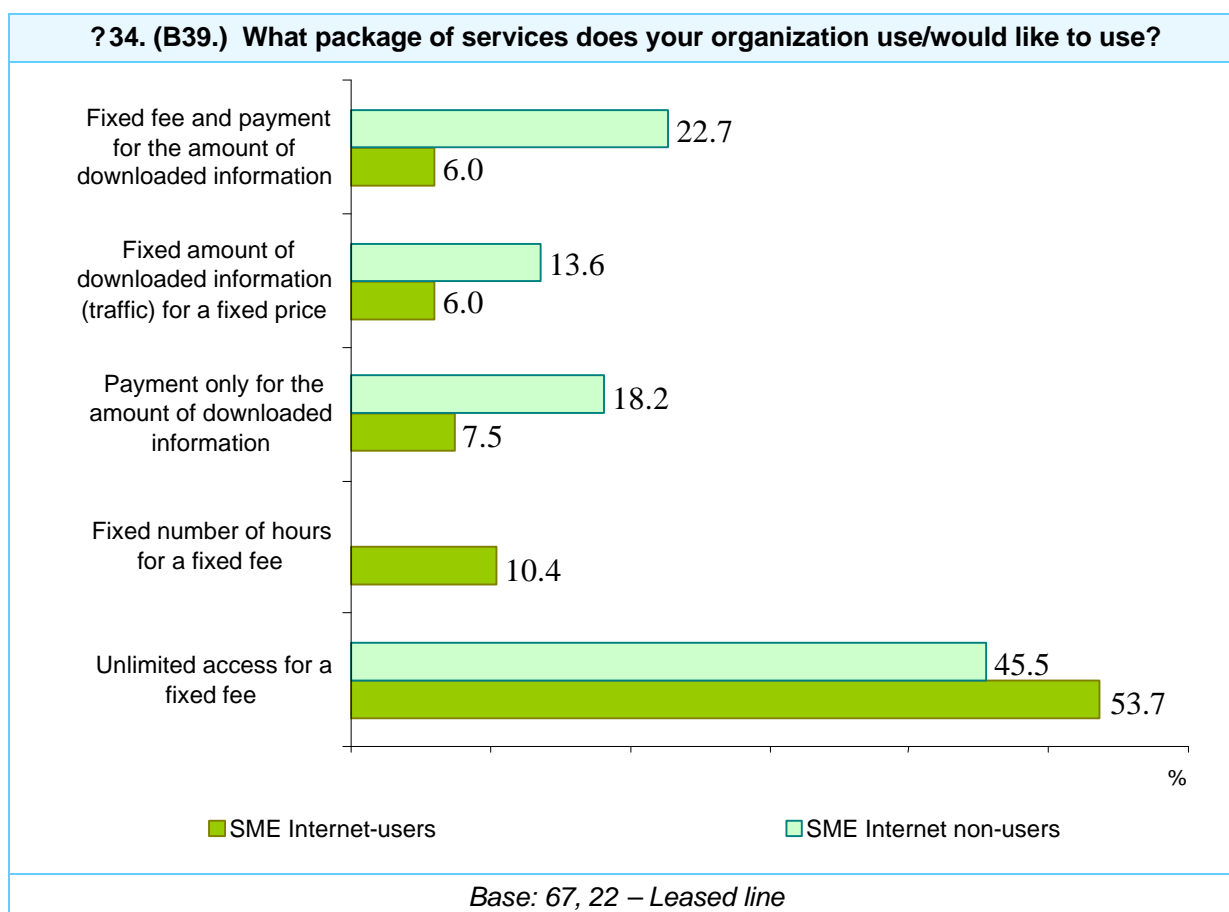
- SME Internet non-users believe they can obtain dial-up Internet access for about one-half of what SME Internet users currently pay and leased line Internet access for about one-third of what SME Internet users currently pay.

? 31. (B37.) How much does your organization pay / plan to pay for Internet access per month, UAH?

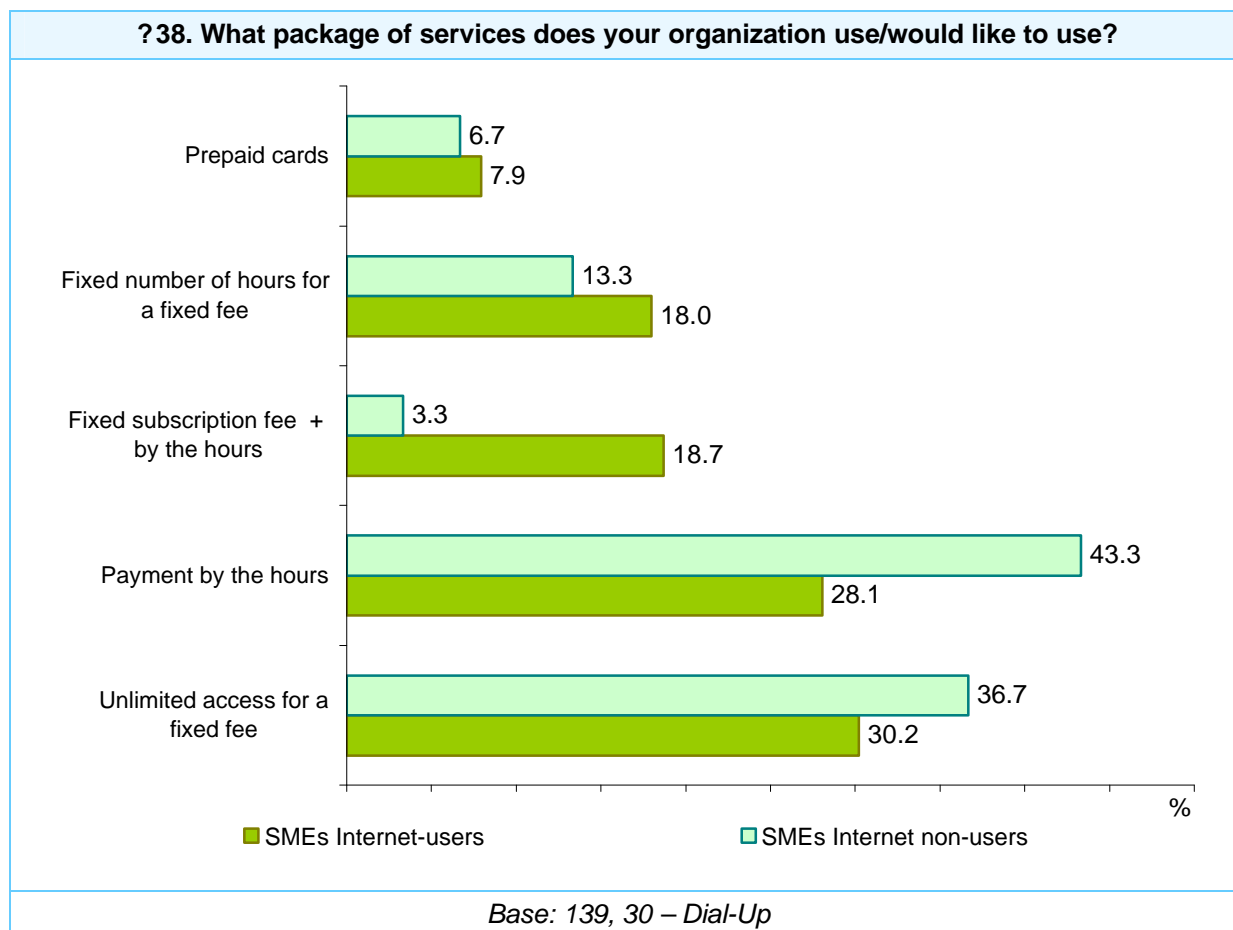
	SMEs Internet-users	SMEs Internet non-users
Leased line	628	185.7
Dial-Up	162.4	85.2

Package of services

- SME Internet-users, which have *leased lines*, and SME Internet non-users who plan to use leased lines, prefer to use unlimited access for a fixed fee /B34/.



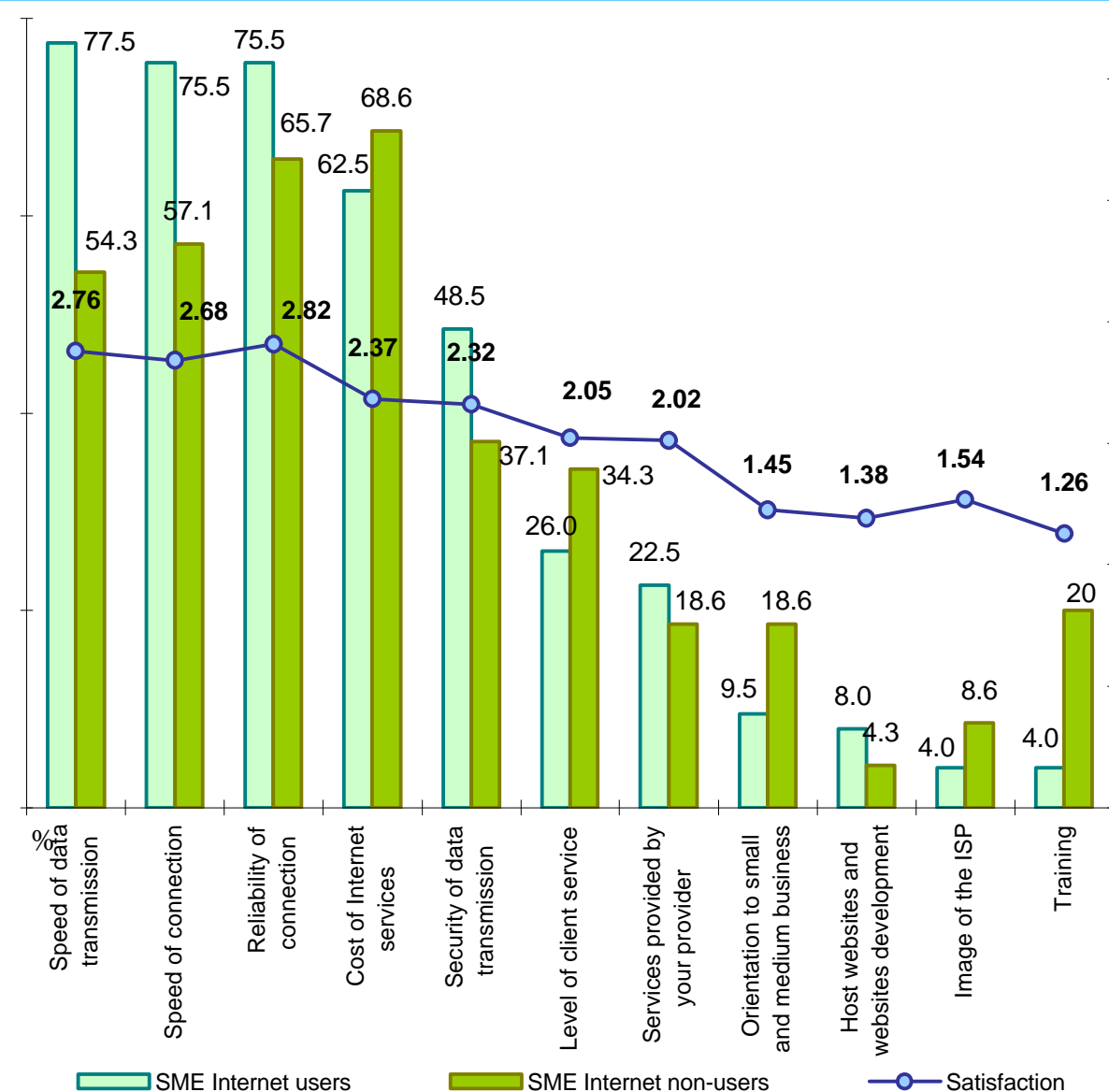
- SME Internet-users which have *dial-up* Internet access more often use such packages of services as: unlimited access for a fixed fee and payment by the hours /B38/. These packages of services are also most preferred by SME Internet non-users that intend to acquire dial-up access.



Importance and satisfaction of Internet characteristics

- The most important Internet characteristics for SME Internet users are speed of data transmission (77.5%), speed of connection (75.5%), and reliability of connection (75.5%). Level of satisfaction by these parameters is lower than average /B25, B26/.
- The most important Internet characteristics for SME Internet non-users are cost of Internet services (68,6%), reliability (65,7%) and speed of connection (57,1%).

? 25. (B34.) Which characteristics of Internet services are important for your organization?
? 26. How satisfied are you with the following parameters of Internet services you use?
 (1 - absolutely unsatisfied, 5 - absolutely satisfied)



Base: 200 – Internet users, 70 – Internet non-users

Access satisfaction

- SME Internet users that have dial-up Internet access are more satisfied with quality and prices of Internet services than SME Internet users that use leased lines /B32, B33, B39, B40/.

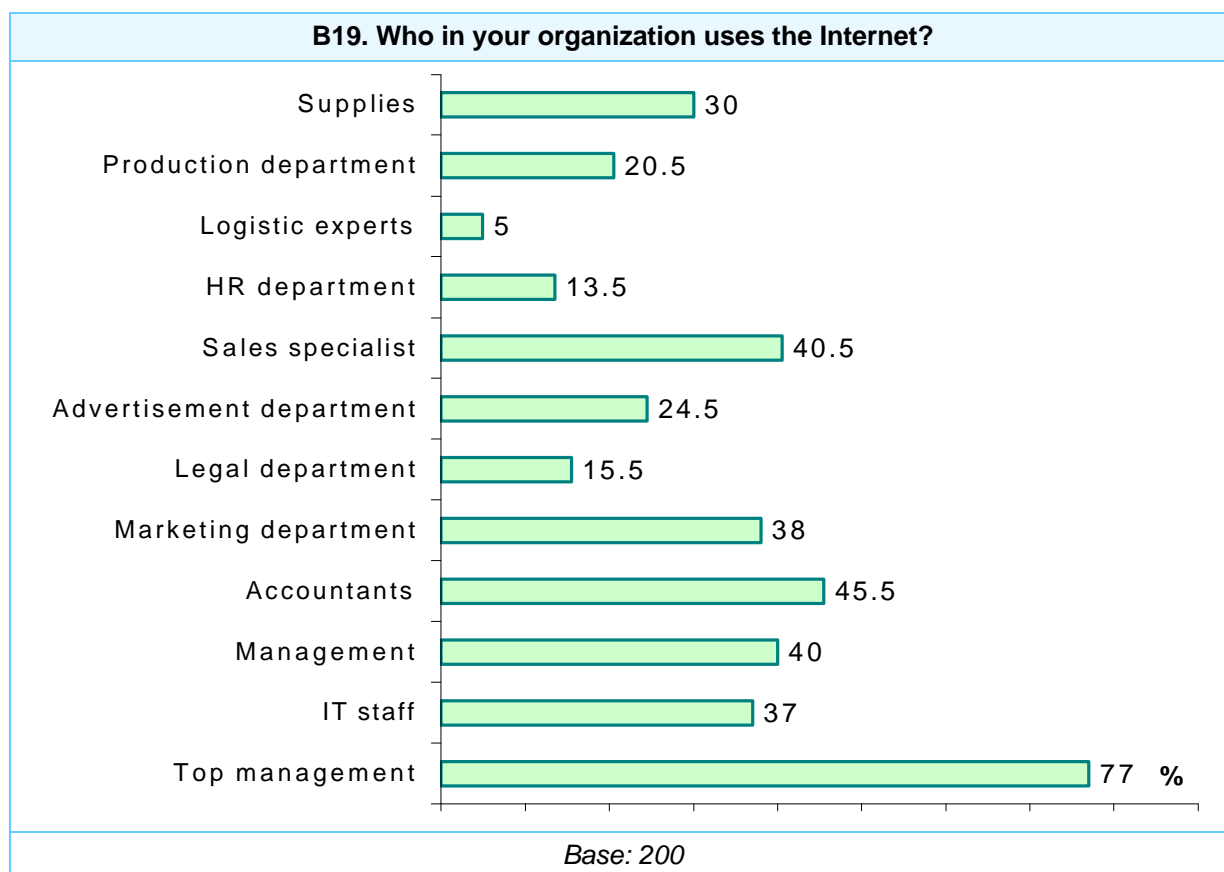
		Leased access line	Dial-Up
? 32, B39. How satisfied are you with the price? (1 – very high, 5 – very low)	3 TB* (%)	67.2	73.0
	Mean	2,62	2.69
? 33, B40. How satisfied are you with the quality of service? (1 – very bad, 5 – very good)	3 TB (%)	83.6	91.7
	Mean	3,15	3.22

* 3TB (top boxes) – mean merged percentage of answers for three top variants in scale, e.g. very high, high, affordable

MASTERY

Who uses the Internet

- Top management of SME Internet users almost universally uses the Internet, 60% regularly.
- Accountants, sales specialists, managers, marketing departments, IT staff, and supply specialists all utilize the Internet within the SME Internet users surveyed. /B18-B20/.



Internet basics

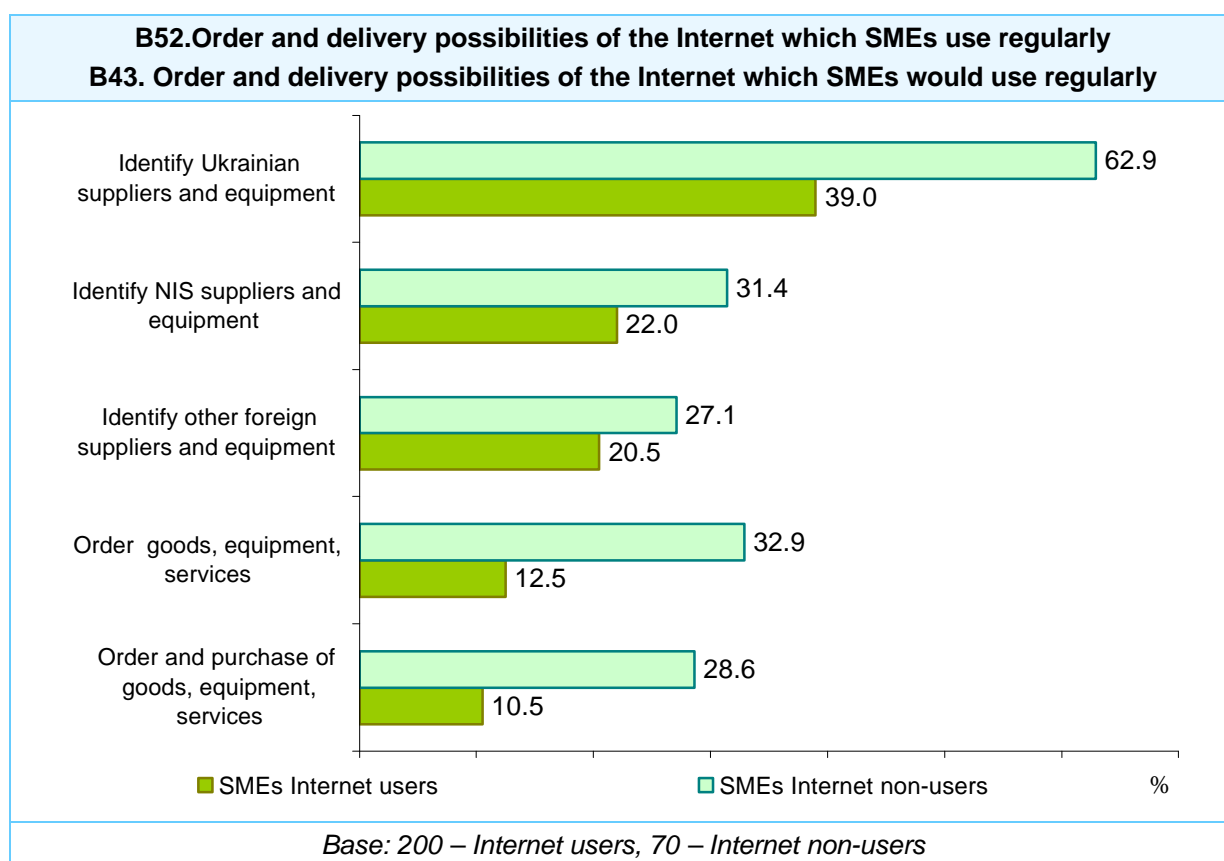
- The majority of SME Internet users regularly use the Internet for e-mail and to search for information. /B49/
- SME Internet non-users that are going to use the Internet mostly intend to use e-mail (77.1%) and to search for information (74.3%) /B40/
- 67.5% of SME Internet users never join discussion groups/forums /B49/
- 28.6% of SME Internet non-users do not plan to join discussion groups/forums at all. /B40/

Required help

- Approximately half of personnel of SME Internet non-users need help to use e-mail (44.1%) and to search for information (51.4%) /B42/.
- The majority of SME Internet users do not need any external help to use e-mail and to search for information. /B51/.
- About half of SME Internet users and 41-42% of SME Internet non-users need external help to create web sites. /B51, B42/

Order and delivery via Internet

- SME Internet users as well as non users are mostly oriented towards Ukrainian suppliers. /B52, B43/
- SMEs mainly search for Ukrainian suppliers and equipment on the Internet. But only 10-11% of SME Internet-users regularly order and purchase supplies and equipment on-line.
- SME Internet non-users plan to order and purchase on-line to a larger extent than Internet users currently do.
- More SME Internet users consider it important to identify, order and purchase supplies and equipment on-line than regularly use the Internet for such purposes. /B52, B53/ The same tendency is observed for SME Internet non-users. /B43, B44/

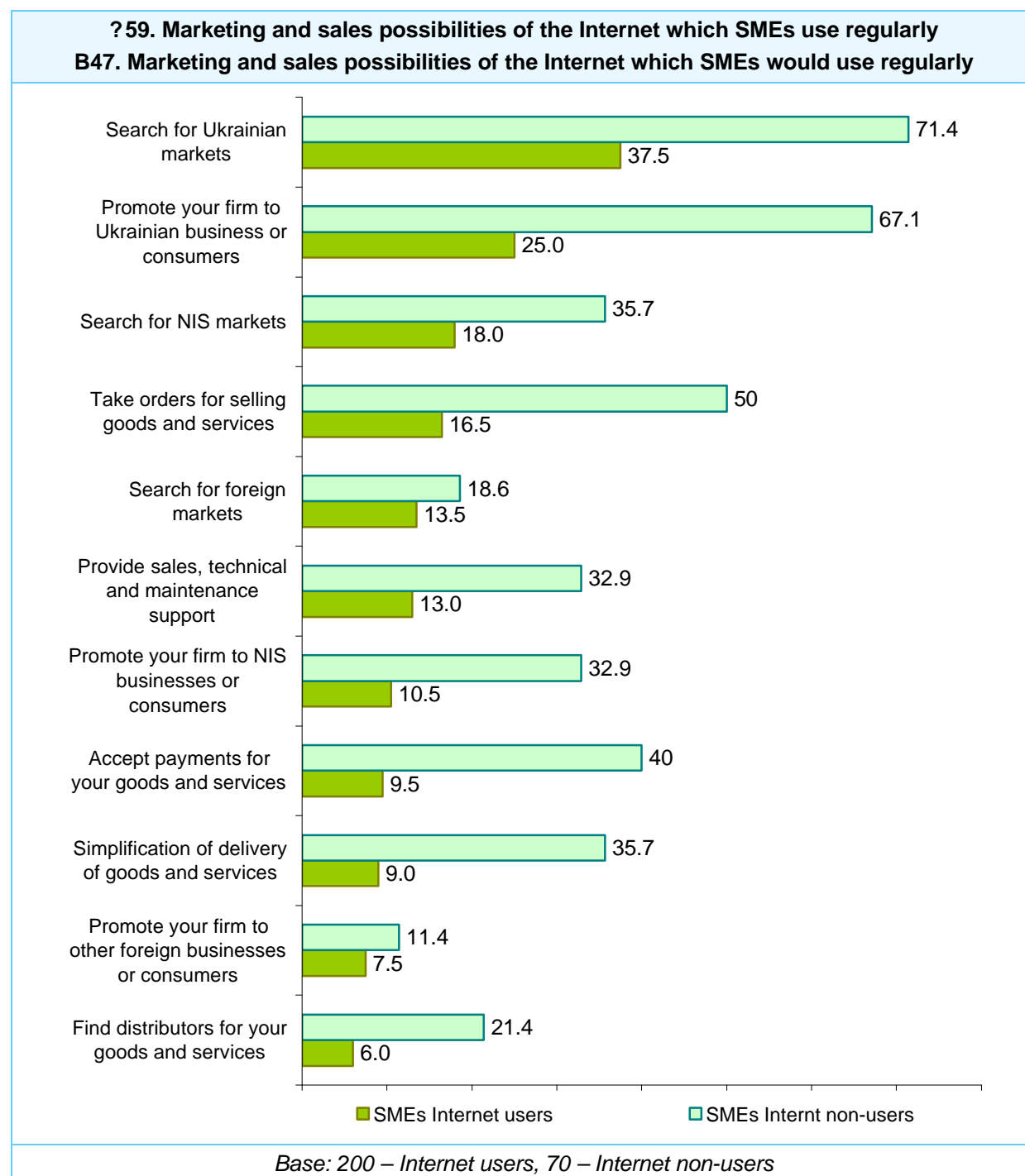


- 29.5% of SME Internet users had successes related to order and delivery via the Internet /B56/. 27.1% of such SME Internet users found reliable partners, clients and companies. /B57/

Marketing and sales via Internet

- SMEs are mainly oriented towards the Ukrainian market while promoting their products and services to consumers.
- SME Internet users primarily use the Internet to search for potential clients, and to promote their firm.
- However, few SME Internet users take orders to sell goods and services on-line (16.5%) and even fewer accept payments, simplify delivery of goods and services, and provide sales, technical and maintenance support over the Internet.
- SME Internet non-users plan greater on-line sales and marketing efforts than SME Internet users presently conduct.

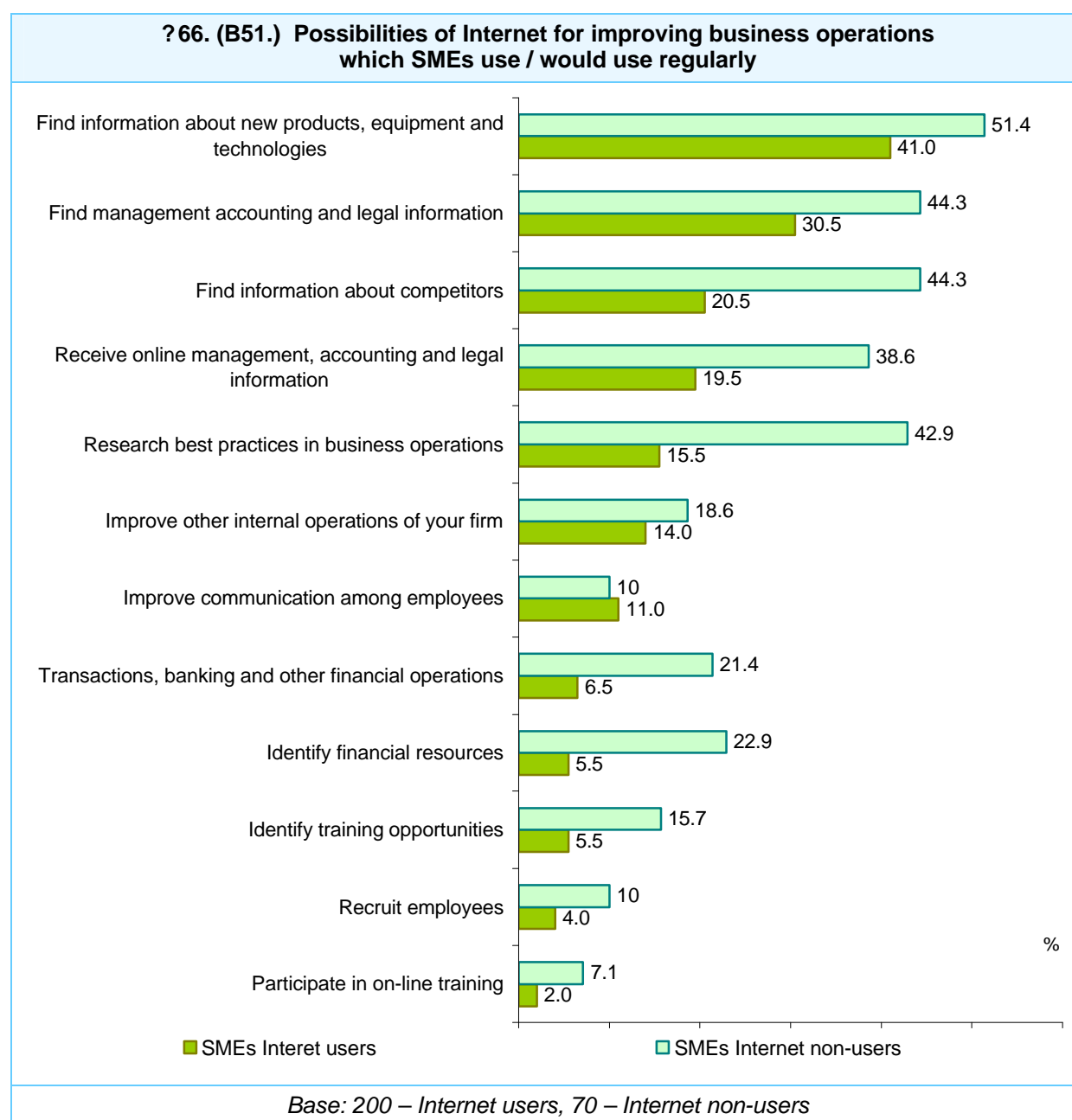
- More SME Internet users consider it important to identify markets, promote into those markets, take orders, accept payments, simplify deliveries, and provide sales and technical support than regularly use the Internet for such purposes. The same tendency can be observed for SME Internet non-users.



- 19.5% of SME Internet users had successes related to marketing and sales via the Internet /B63/. 15.4% of such SME Internet users advertised their company and services. /B64/

Improvement of business operations via Internet

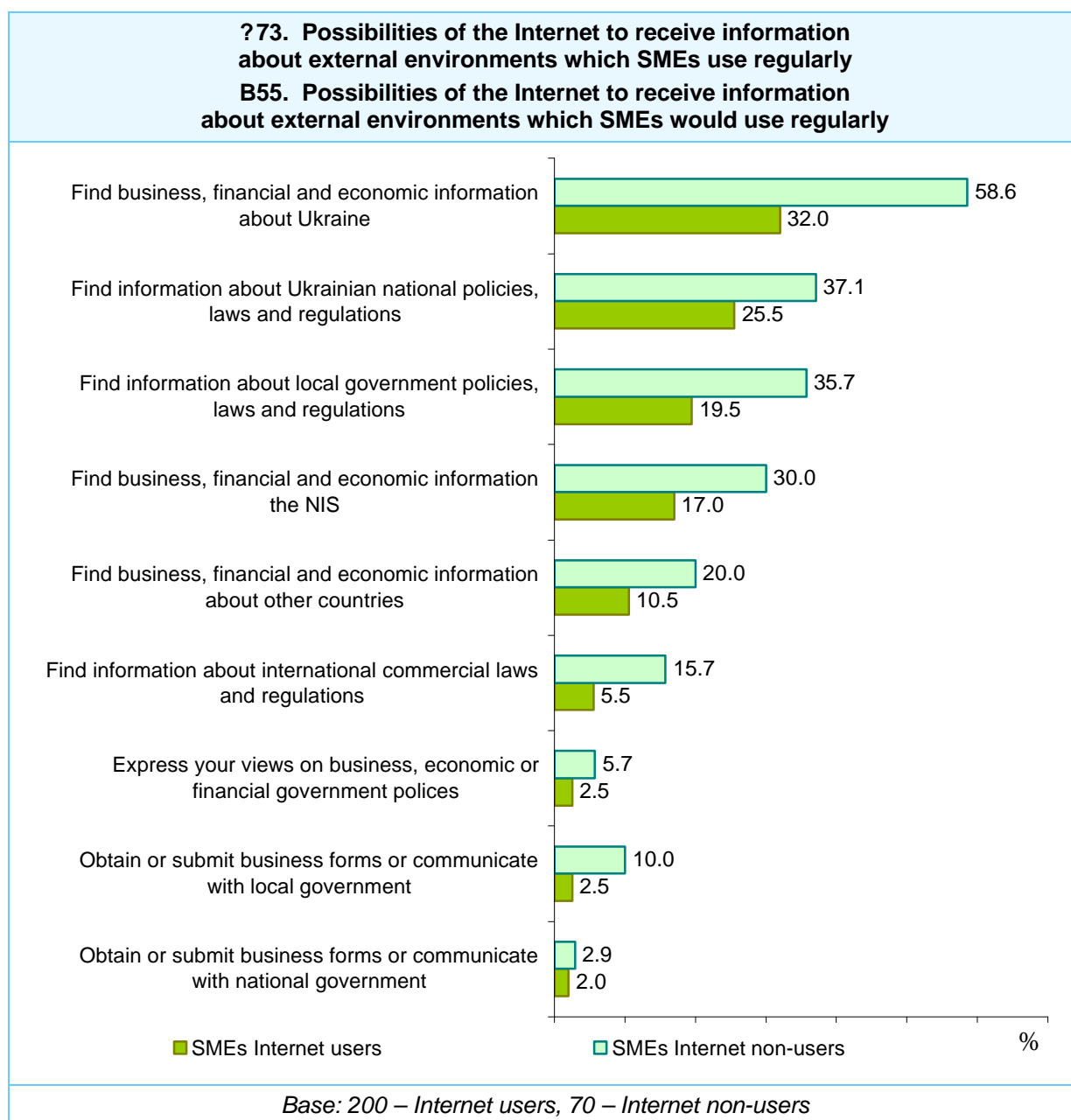
- SME Internet users regularly use the Internet to search for information about new products, equipment and technologies (41%); and management, accounting and legislation (30.5%) /**B66, B67**/. Less often SMEs search for information about competitors (20.5%).
- SME Internet non-users will use the Internet primarily to search for information, most importantly for information about new products, equipment and technologies (51.4%) /**B51, B52**/.
- SME Internet users as well as non-users are most interested in using the Internet to: find information about new products, equipment and technologies; find management, accounting and legal information; find information about competitors, receive online management, accounting and legal information; and research best practices in business operations.



- 17.0% of SME Internet users had successes related to improvement of business operations via the Internet /**B70**/. 35.3% of such SME Internet users found needed information online. /**B71**/

Information about external environment via Internet

- SME Internet users most often search the Internet for business, financial and economic information about Ukraine (32%) as well as information about Ukrainian national policy and laws (25.5%) /B73, B74/. SME Internet users less frequently use the Internet to find information about the NIS (17.0%) or other foreign environments (10.5%). SME Internet users are less interested in on-line information pertaining to international commercial laws.
- SME Internet non-users will use the Internet to search for information about Ukraine; primarily business, financial and economic information (58.6%). SME Internet non-users are also interested in online information about national and local policies, but to a lesser extent.

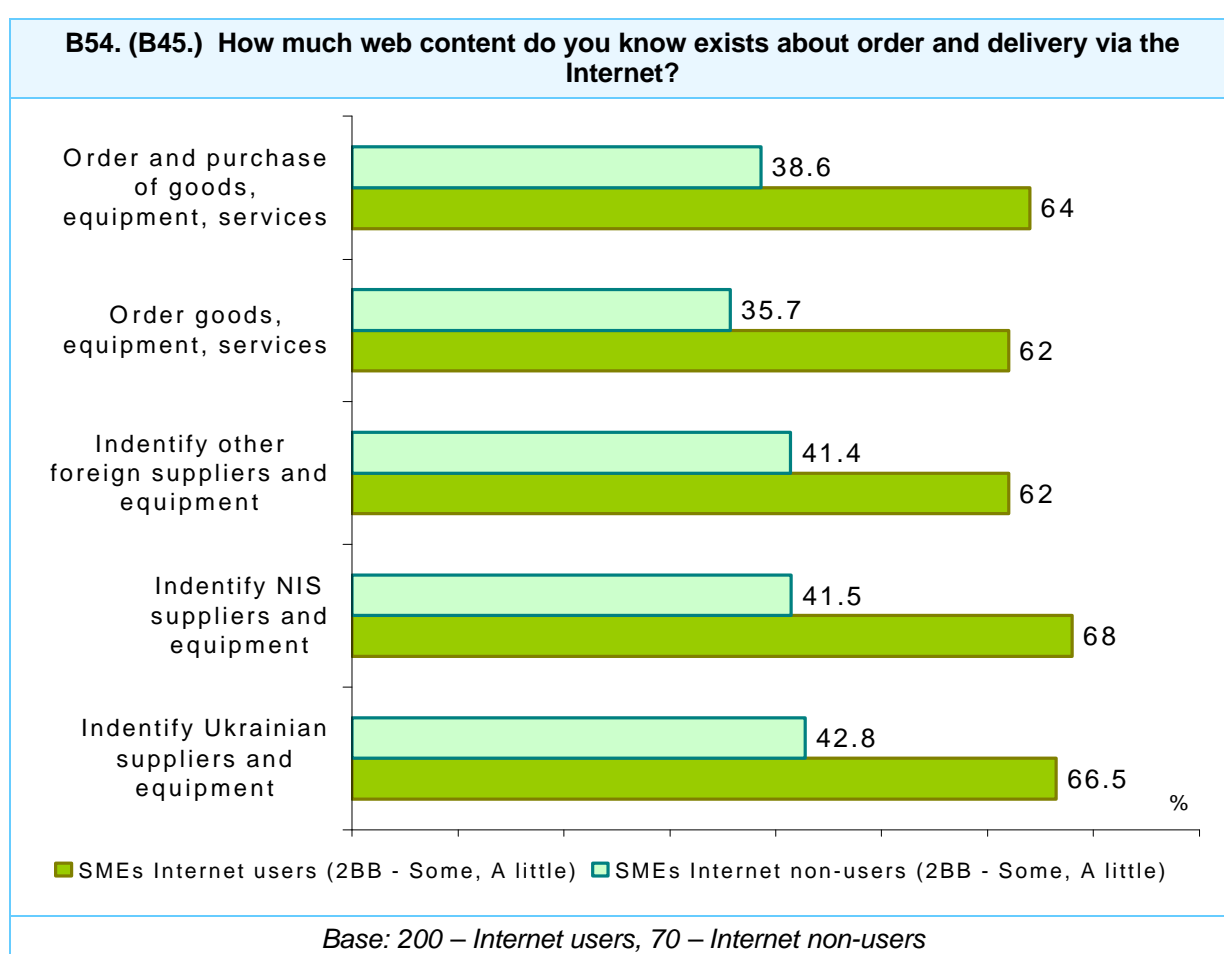


Content

- Only up to 30% of SME Internet users consider that there is a lot of web-content on the Ukrainian market. The remaining SME Internet users do not think that there is enough web-content /B54, B61, B68, B75/.
- More than 50% of SME Internet non-users do not know how much web-content is available. Up to 24% of SME Internet non-users believe there is a lot of web-content on the Ukrainian market. The rest believe there may be some information available on the Internet. /B45, B49, B53, B57/.

Order and delivery

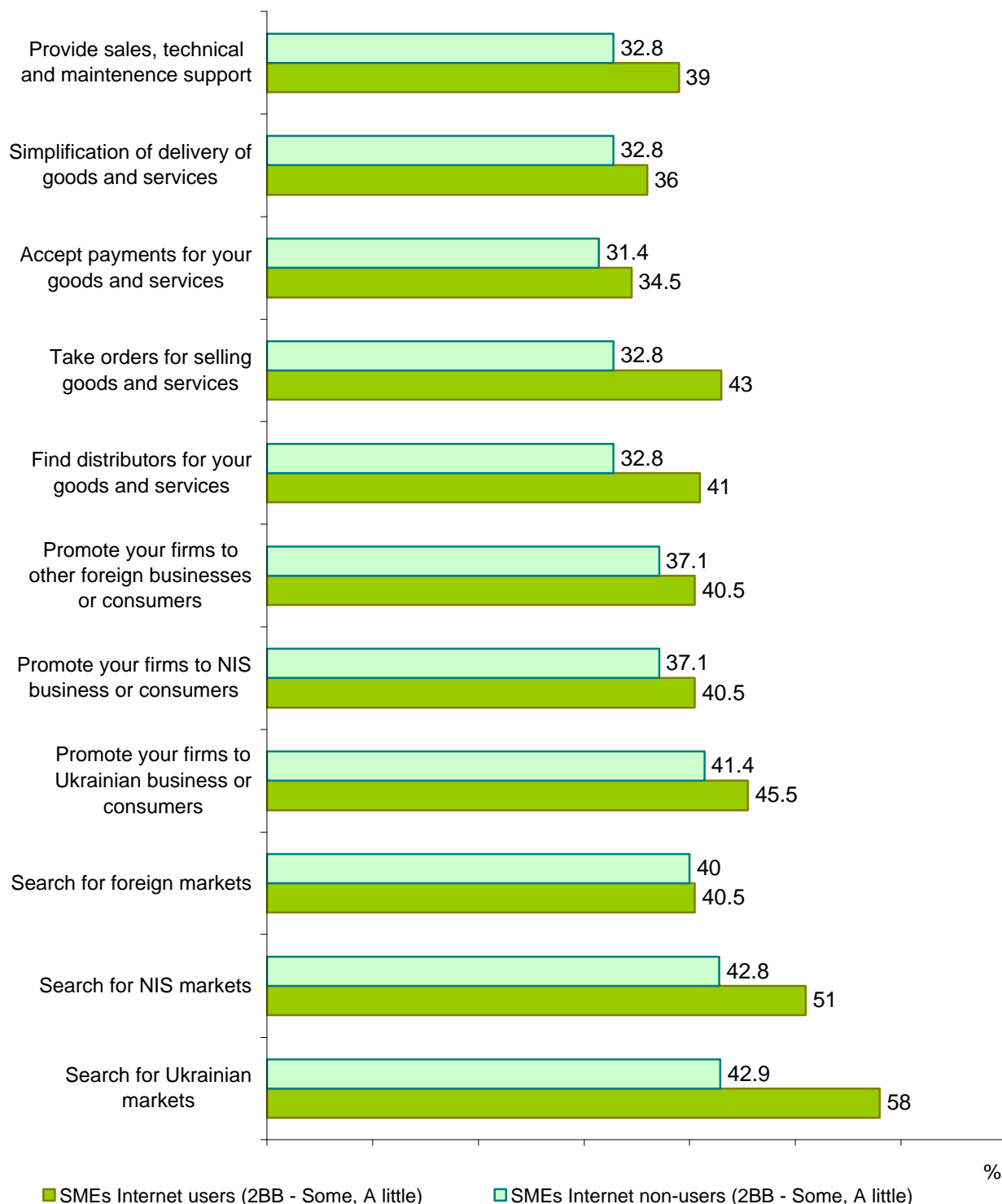
- The majority of SME Internet users and up to 43% of SME Internet non-users believe there is a little web content concerning order and delivery. They feel that the Internet is particularly deficient regarding Ukrainian and NIS suppliers and equipment.



Marketing and sales

- The majority of SME Internet users and up to 43% of SME Internet non-users believe there is a little information on-line regarding Ukrainian and NIS marketing and sales.

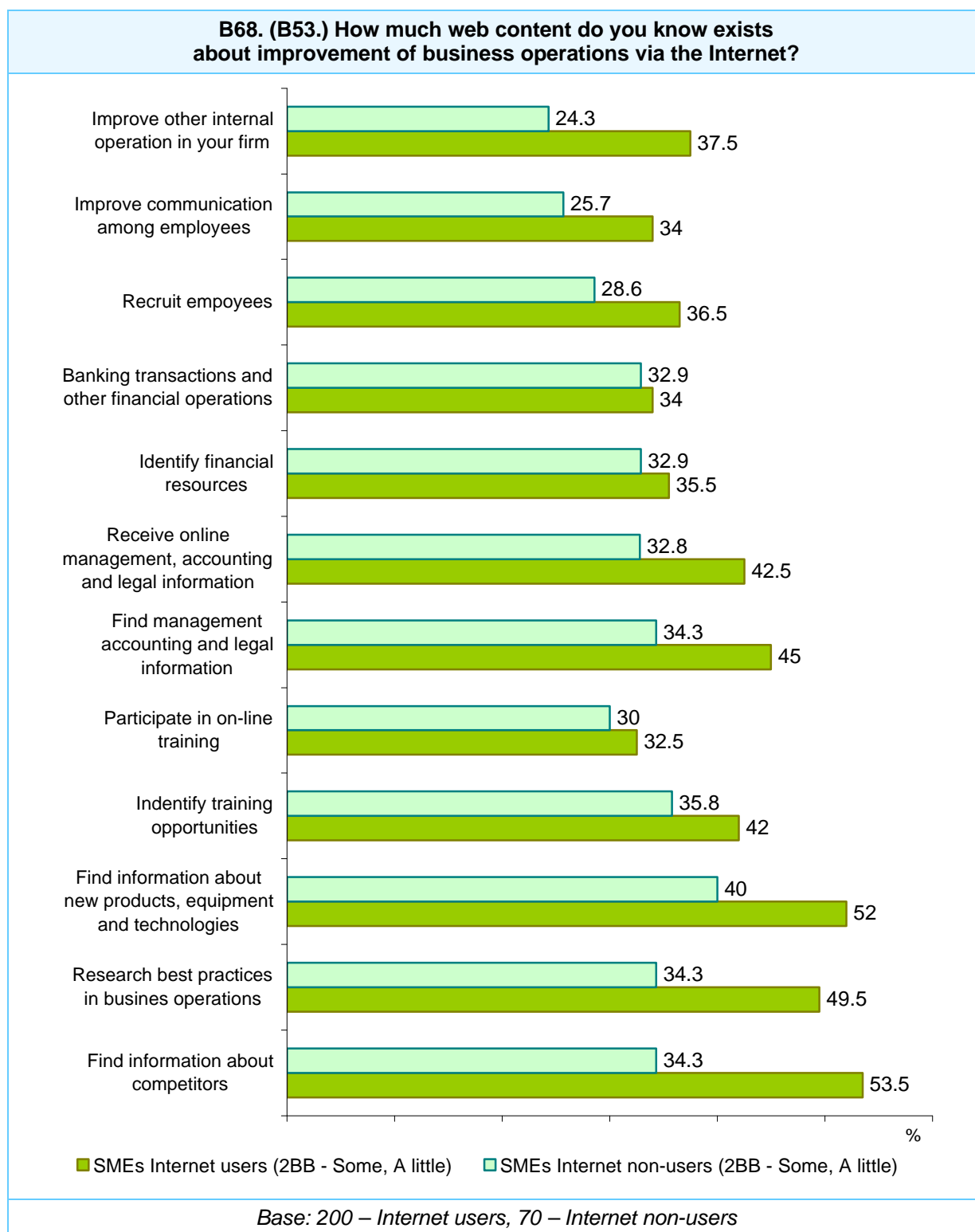
B61. (B49.) How much web content do you know exists about marketing and sales via the Internet?



Base: 200 – Internet users, 70 – Internet non-users

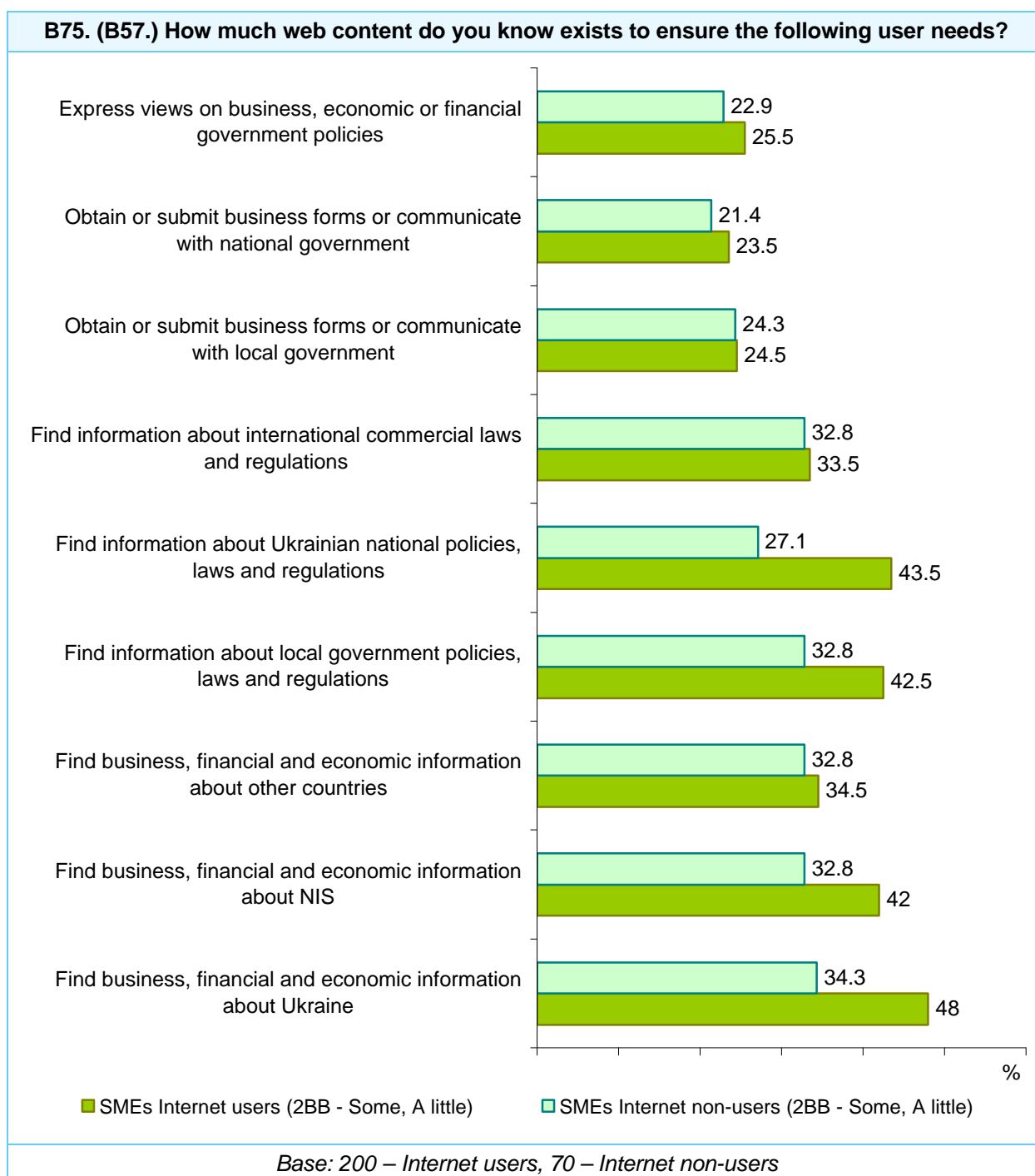
Improvement of business operations

- SME Internet users are least aware about information on the Internet concerning competitors, new products, equipment and technologies, and best practices research. SME Internet non-users are least aware about on-line information about new products, equipment and technologies, and training opportunities.



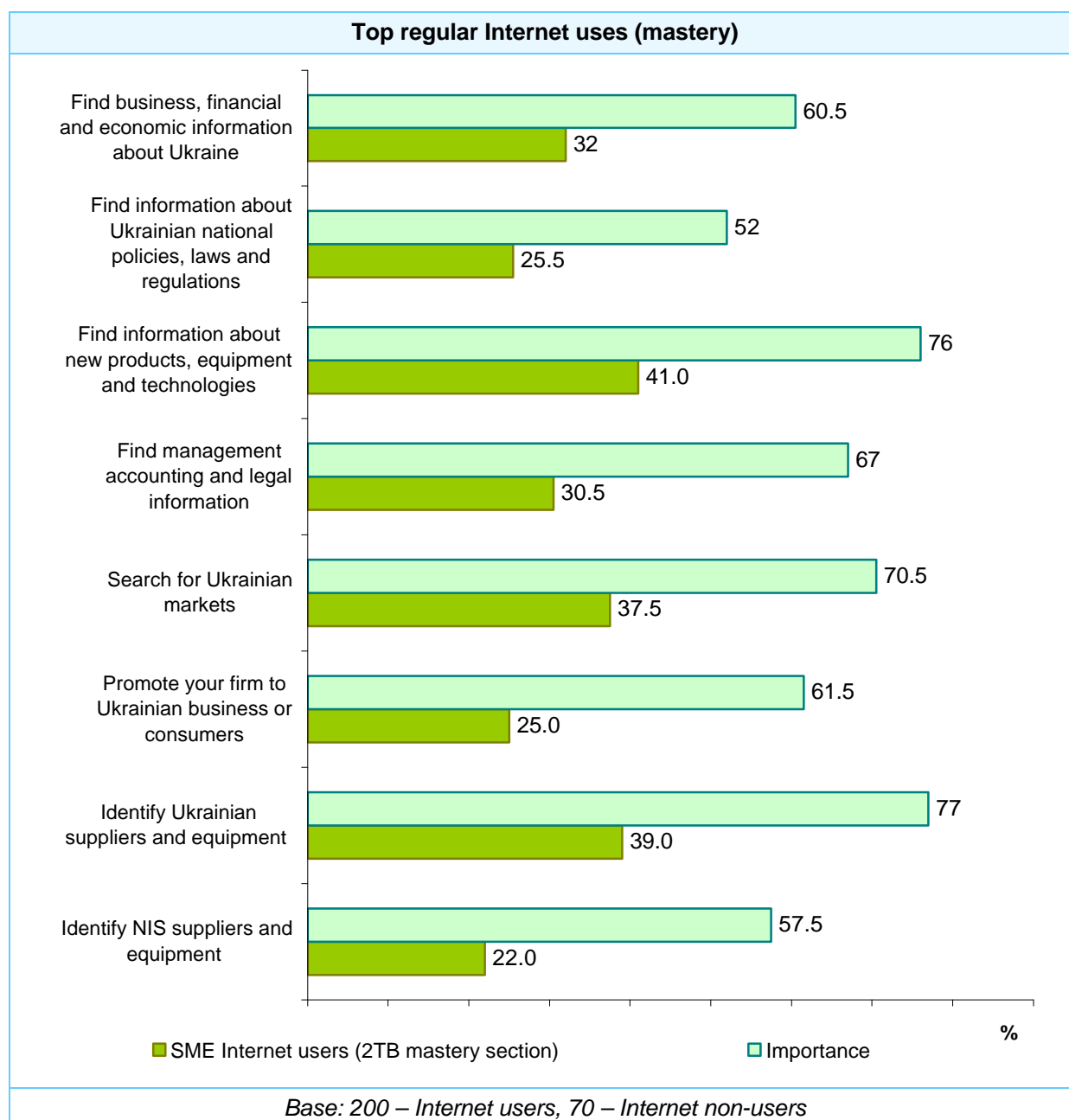
Information about external environment

- SME Internet users believe there is little information on the Internet concerning Ukrainian and NIS business, finance and economics; and Ukrainian national and local policies. SME Internet non-users are least aware about on-line information about business, finance and economics for Ukraine, NIS and other foreign countries, Ukrainian local government policies, and international commercial laws.



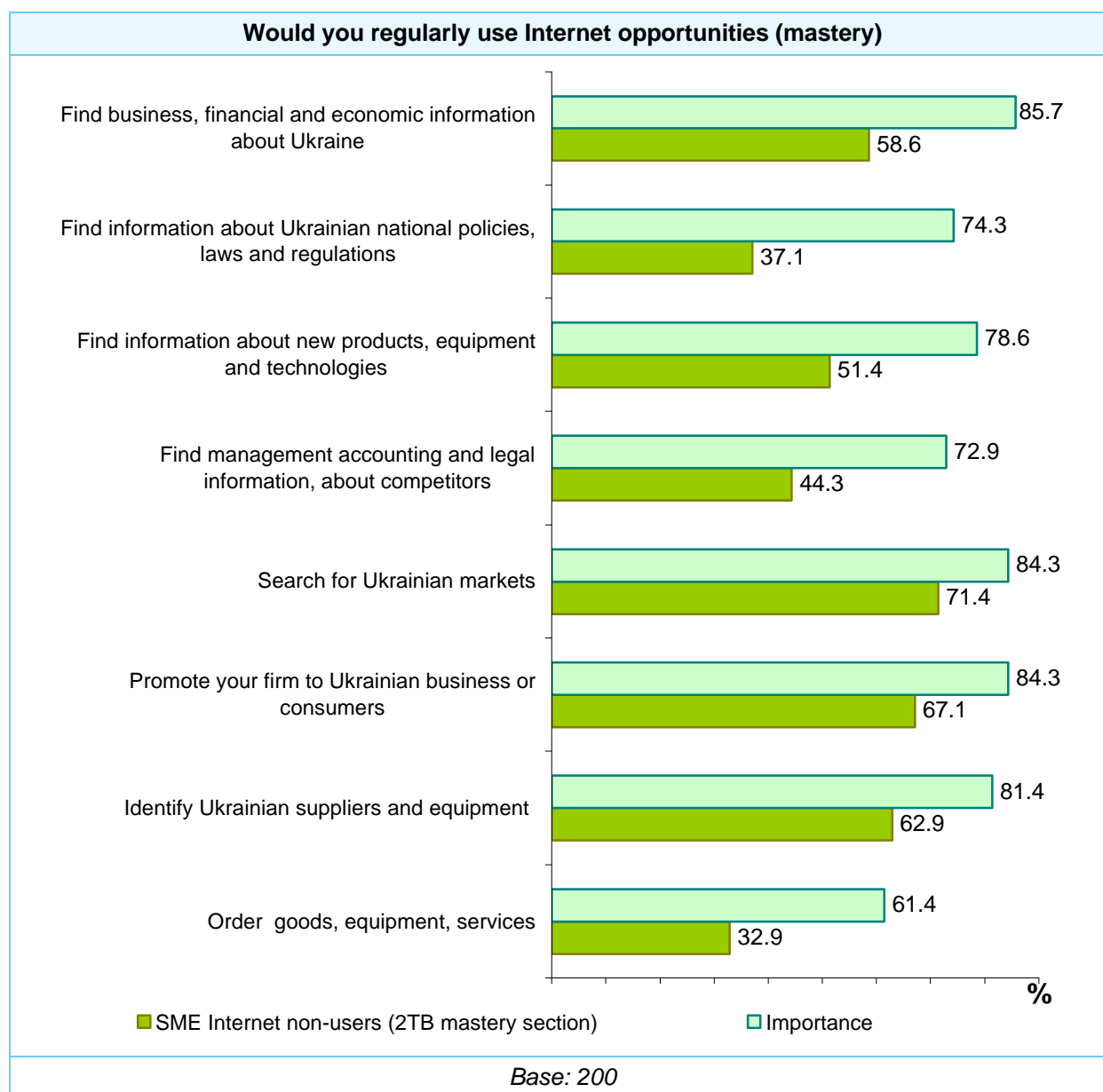
Top uses of Internet opportunities

- SME Internet users regularly utilize the Internet to identify sources of supplies and equipment; search and promote their firm in Ukrainian markets; improve their internal operations through new product, equipment, technologies, management, accounting, and legal information; and explore Ukrainian national policies and business, financial and economic information. In all respects, SME Internet users attach greater importance to using the Internet for these purposes than they are currently practicing. Consequently all these opportunities are prospective for Ukrainian SMEs. /B52, B59, B66, B73/



- **SME Internet non-users see themselves as regular Internet practitioners in the future; from identifying and ordering Ukrainian supplies to searching and promoting their firm in Ukrainian markets; and improving internal operations and exploring the external Ukrainian environment, much as SME Internet users currently do. In all**

respects, SME Internet non-users also attach greater importance to using the Internet for e-commerce than they would practice. This suggests that they lack the confidence and capabilities to conduct business on-line. /B43, B47, B51, B55/



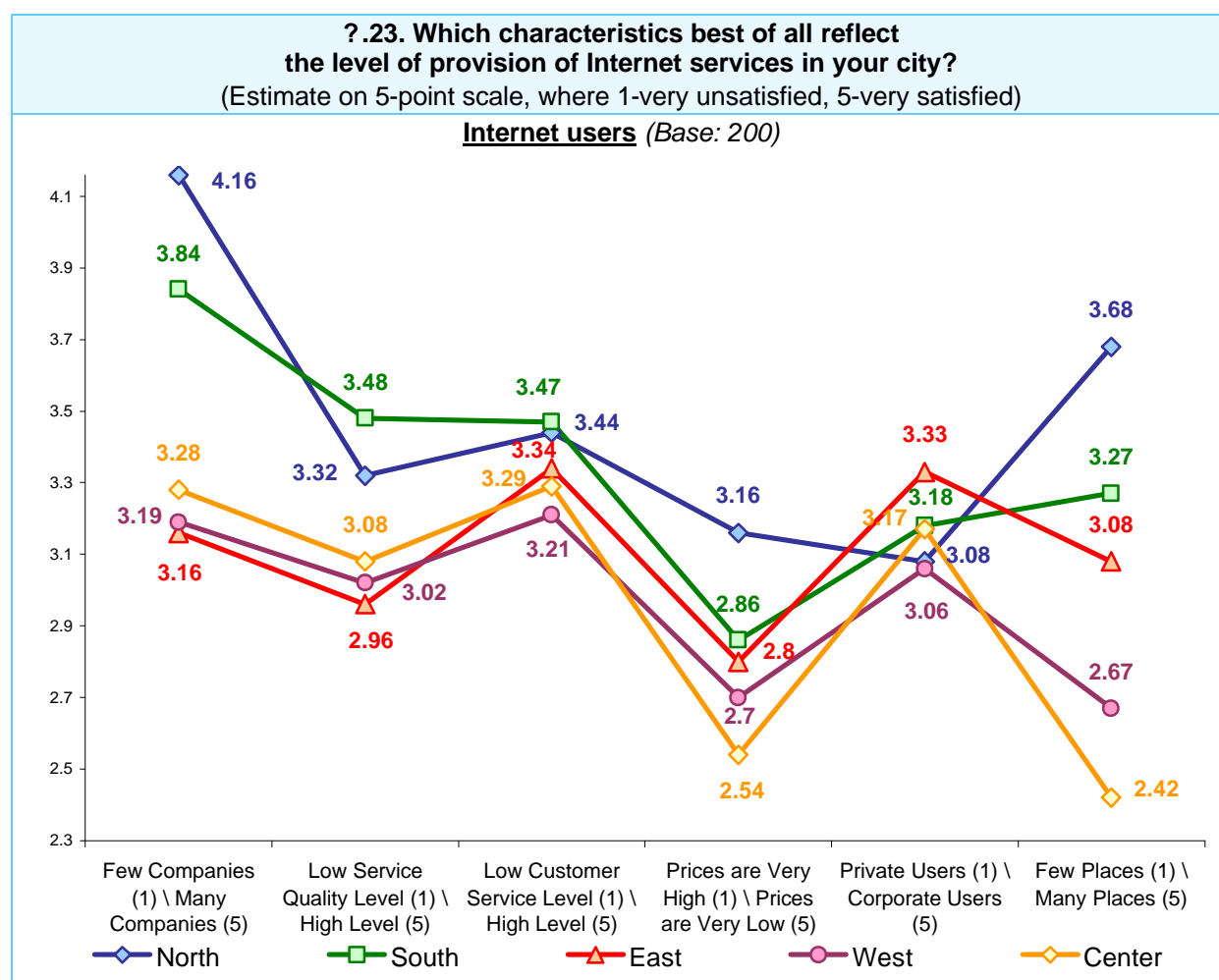
Required help

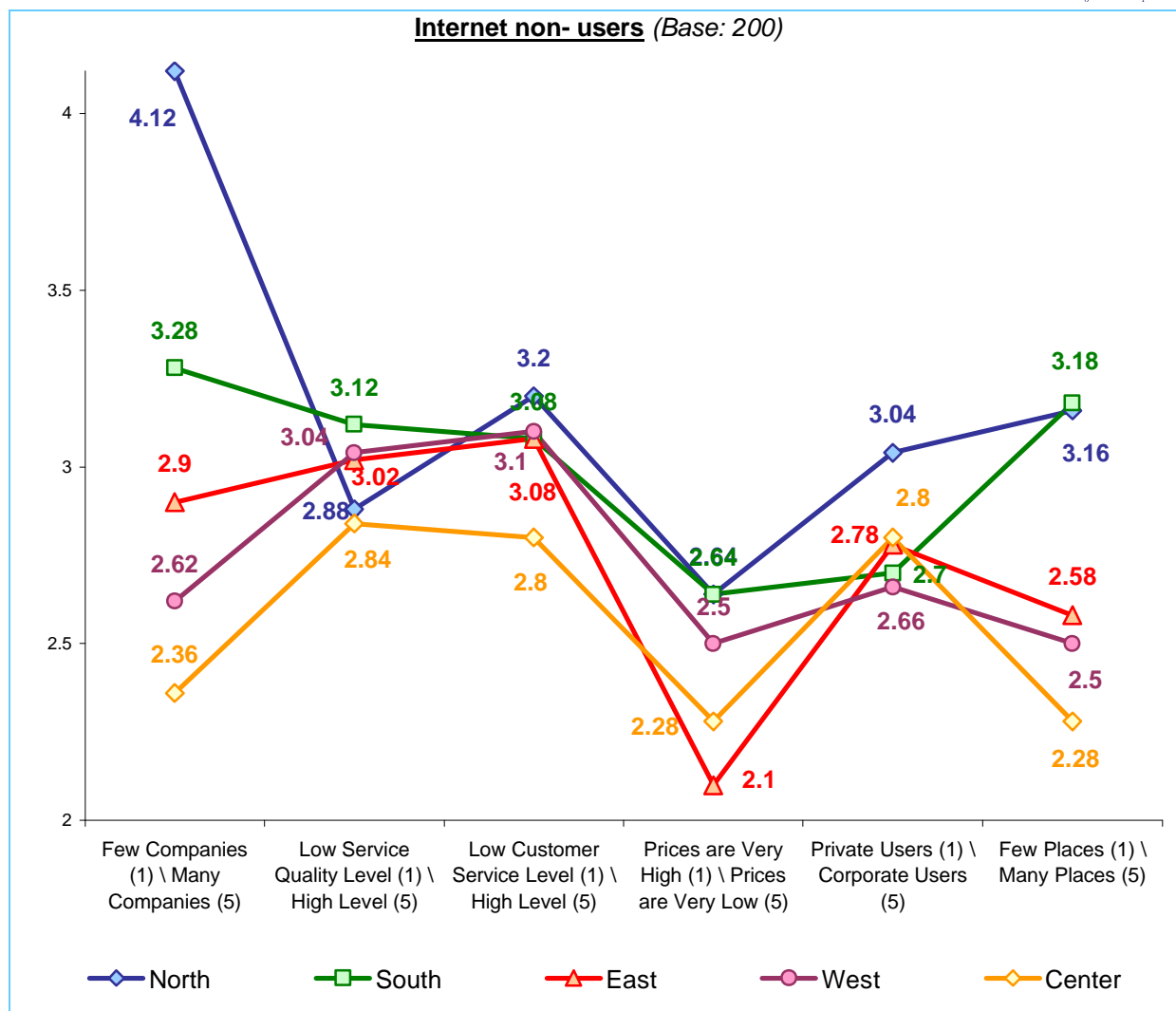
- Up to 30% of SME Internet users and the majority of SME Internet non-users require external help to use the Internet for ordering and delivery. Both SME Internet users and non-users require external help in the form of more web content as well as training and literature to more effectively use the Internet for order and delivery. /B55, B46/.
- Up to 30% of SME Internet users require help in using the Internet for marketing and sales. Those that require help would appreciate more web content, as well as training and literature. The majority of SME Internet non-users require help in conducting marketing and sales over the Internet. SME Internet non-users would appreciate more external assistance in the form of training and literature /B62, B50/.**

- Up to 34% of SME Internet users require help in using the Internet to improve their business operations. The majority of SME Internet non-users require help in improving business operations via the Internet. SME Internet non-users would appreciate more external assistance in the form of training/literature /B69, B54/
- Up to 30% of SME Internet users believe they need external help in using the Internet to learn about the external environment. They are more interested in increasing web content. /B55, B62, B69, B76/.
- A significant share of SME Internet non-users (up to 48.6%) desire external help to search for information about the external environment. They are mostly interested in training and literature, rather than in more web content /B46, B50, B54, B58/.
- As a rule, SME Internet users want more help with web content for business applications than they want training and literature. SME Internet non-users, on the other hand, are more interested in training and literature to help them with business applications of the Internet.

Variations

- SME Internet users as well as non-users in the North believe that they have many more companies that provide Internet services than SME Internet users and non-users in the rest of Ukraine.
- Internet users in the South, North and Central regions rated service quality higher than Internet users in the East and West. Service quality was rated by Internet non-users approximately equally in all regions.
- Both Internet users and non-users in the North consider Internet pricing as more acceptable than users in the Central region.

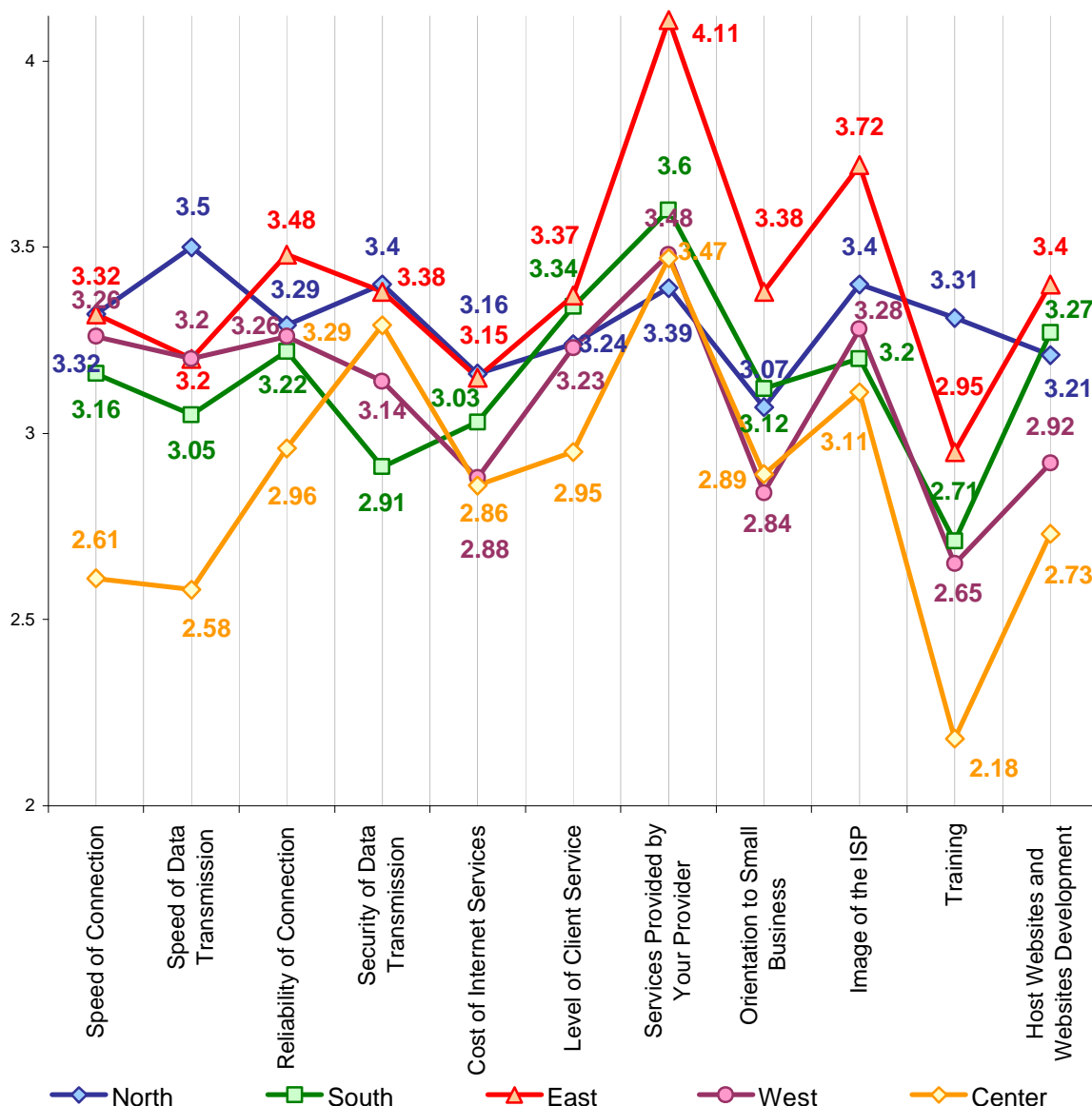




- Speed of connection, data transmission, reliability of connection, websites hosting and websites development got the lowest estimation by Internet users in Central Ukraine.
- Security of data transmission was rated lower by Internet users in the South than in the North.
- Internet users estimated services provided in the East as higher than in the rest of Ukraine.
- Training services got the highest estimation in the North.
- Cost of Internet services, level of client services oriented to SMEs, and image of ISPs were viewed by Internet users approximately equally in all regions.
- No other significant differences in responses were observed, based on location, size and other characteristics of the SMEs surveyed.

B26. How are you satisfied with the following parameters of Internet services you use?

(Estimate on 5 point scale, where 1 – very unsatisfied, 5 – very satisfied)



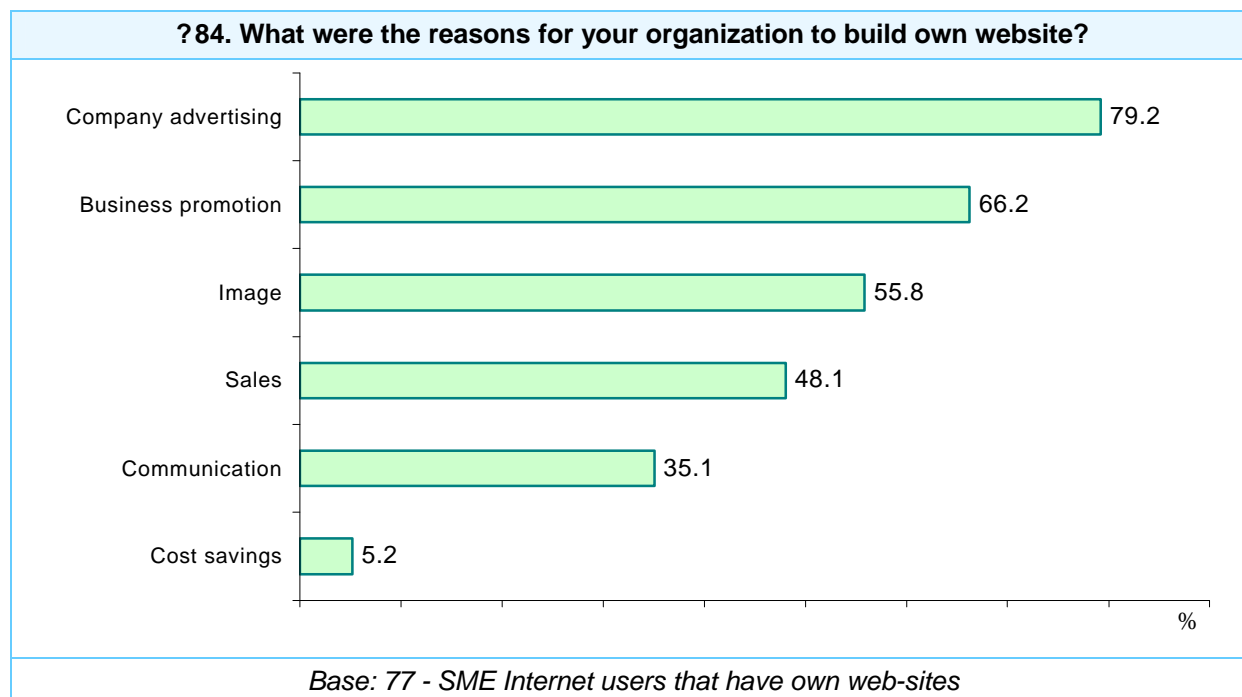
Base: 200

SMEs web-sites

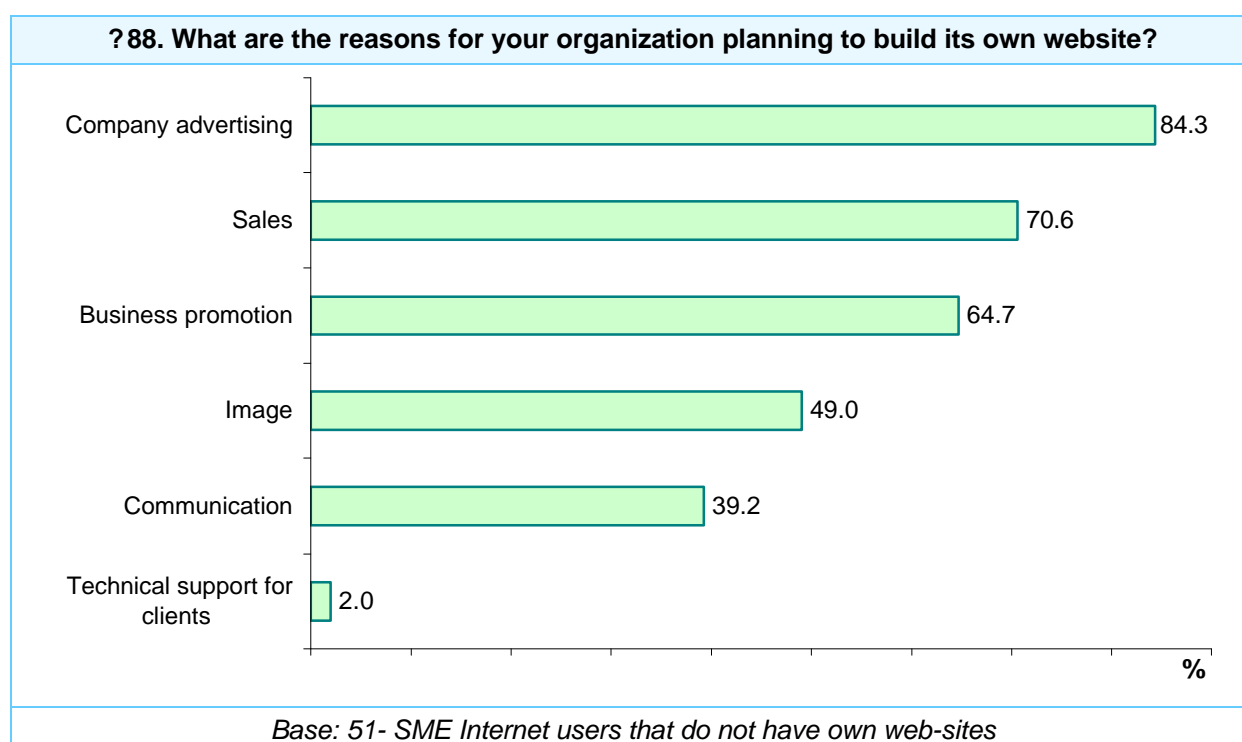
- 38.5% of SME Internet users have their own web sites, mainly built by in-house design specialists /B80, B83/. The proportion of SME Internet users with web sites increases with the size of firm. /B80/
- 49.5% of SME Internet users and 48.6% of SME Internet non-users consider that it is important to have their own web site. /B41/
- Web sites of SME Internet users, as a rule, are simple in design; consist of general information about the company (address, telephone, e-mail) and list products and services offered. The main purpose of such web sites is to promote their company to potential clients and then to communicate with them through the telephone or e-mail. Internet services like developing special platforms for receiving orders, purchases, banking operations and other

opportunities which speed up business operations as a rule are not accomplished on SME web sites.

- Most SME Internet users built web sites for advertising (79.2%), promotion (66.2%) and maintaining image (55.8%) /B84/. Meanwhile, only 36% of SME Internet users evaluated their web site as effective /B85/.

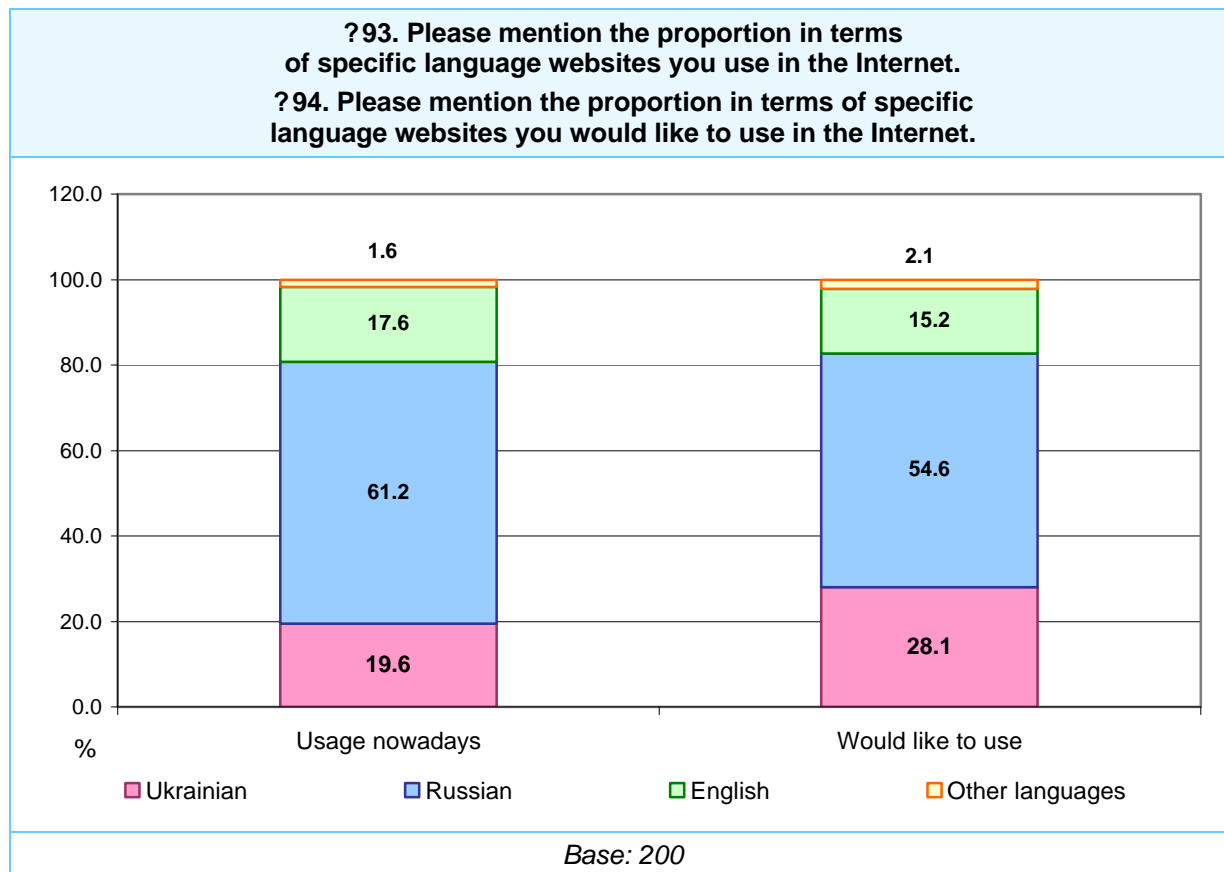


- 40.5% of SME Internet-users, which do not have web sites, plan to create web-sites in the next 6 months /B87/. The main purposes of creating web sites are advertising (84.3%), sales of product and services (70.6%) and business promotion (64.7%) /B88/.



Language of web-content

- The majority of web sites visited by SME Internet users are in the Russian language. This remains the preferred language by SMEs for Internet surfing in the future /**B93, B94**/.

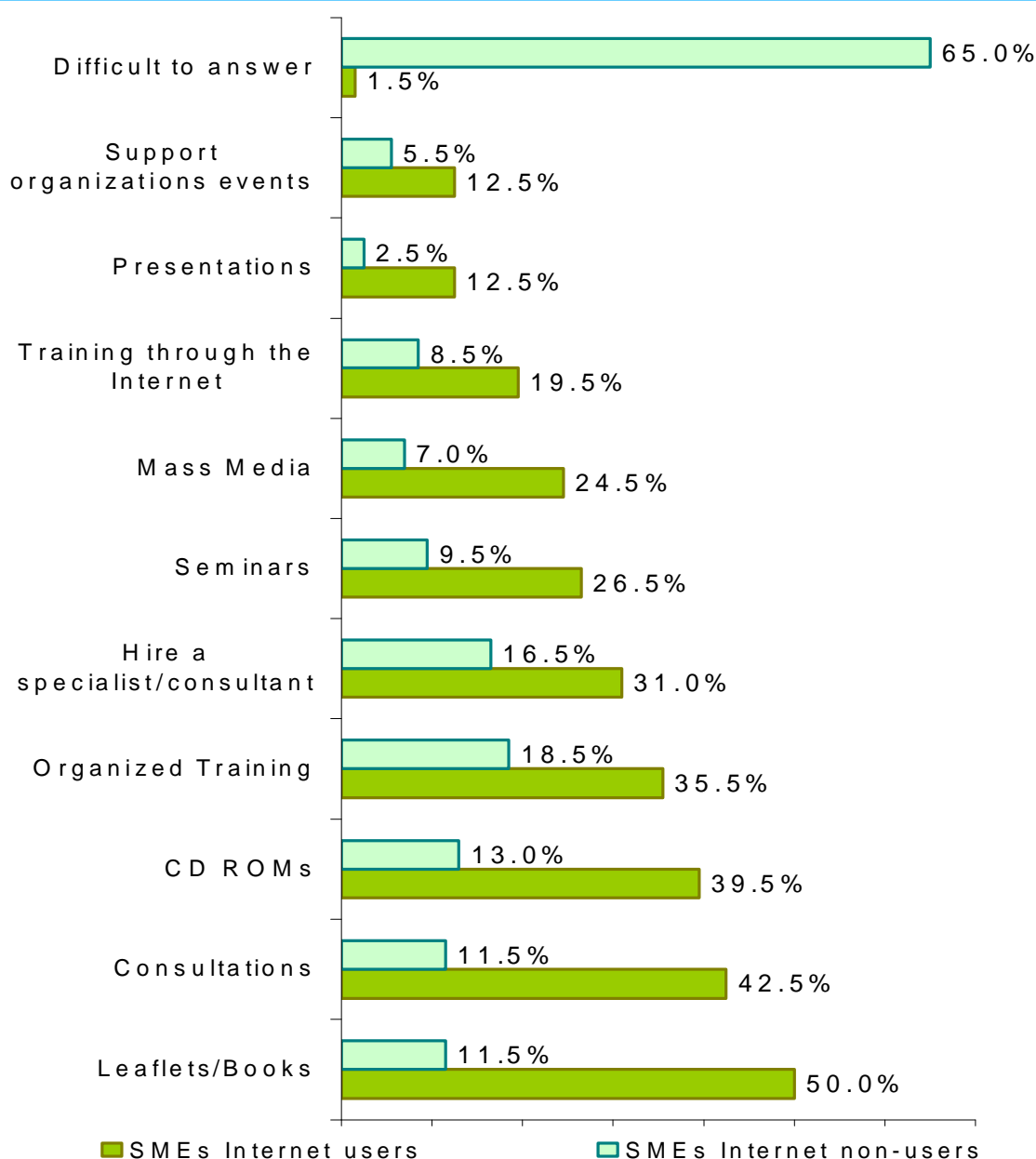


- SME Internet non-users would also like to visit primarily Russian language web sites. /**? 59**/.

Sources of information about Internet

- For SME Internet users, the best sources of information about the Internet are leaflets/books, consultations and CD ROMs /**? 95**/.
- The majority of SME Internet non-users had difficulties identifying the best sources of information about the Internet (65%). 18.5% and 16.5% of SME Internet non-users consider the best sources are organized training and hiring specialists/consultants.
- SME Internet non-users are most interested in Internet business applications (66.7%), general Internet awareness (34.4%) and Internet basics (33.0%) /**B61**/.
- SME Internet non-users (78.9%) would utilize specialists and consultants primarily to learn about Internet business applications. /**? 61**/.
- Most SME Internet non-users (55.7%) do not know where to find such training and support. /**B63**/.
- The majority of SME Internet users (64%) know where to get such information /**B98**/.

B95. (B60.) Which of the following would be the best sources to provide information and knowledge about the Internet?



Base: 200 – Internet users, 200 – Internet non-users

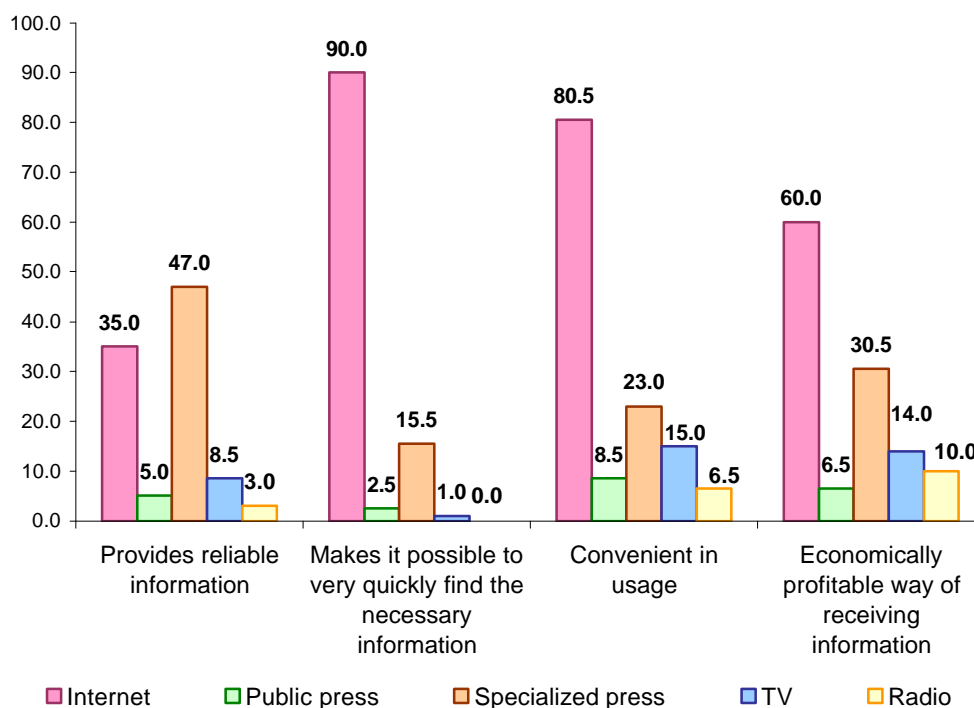
Willingness to pay for information

- The majority of Internet users are willing to pay for information regarding Internet business applications, as well as for general information about the Internet, and Internet basics /? 97, B62 /.

Attitude to the sources of information

- SME Internet users evaluated the Internet as the best source for fast, convenient and economical information. However, information from the specialized press is considered more reliable than from Internet sources. Information from the specialized press, at the same time, is not considered as favorable as the Internet in all other respects. Public press, radio, and television are not favored sources of information, compared with the Internet.

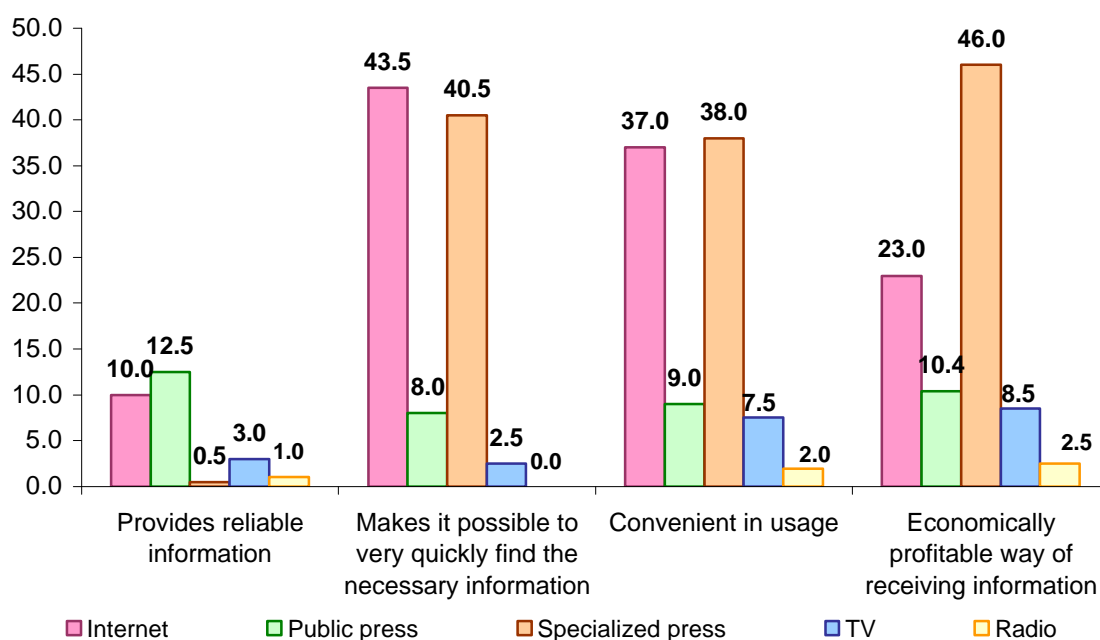
B99. Which media corresponds to which statement?



Base: 200

- SME Internet non-users found information from the specialized press to be twice as economical as information from the Internet. SME Internet non-users see little difference between the specialized press and the Internet when it comes to speed, convenience, and reliability of information.

B68. Which media corresponds to which statement?



Base: 200

SUPPORT ORGANIZATIONS

Profile of Support Organizations

- Surveyed Support Organization Internet users mainly belong to the following types of organization: community development organizations, consulting firms and business centers. /B1/. Surveyed Support Organization Internet non-users mainly are: community development organizations, consulting firms and micro finance institutions /B1/.
- Surveyed Support Organization Internet users had significantly greater international and domestic support than did surveyed Support Organization Internet non-users.
- The share of Support Organization Internet users that belong to associations/unions is greater than the share for Support Organization Internet non-users.
- Support Organization Internet users are mainly small in size (72.5% with between 6 and 50 employees). Support Organization Internet non-users are mainly micro in size (51.7% with between 1 - 5 employees) or small in size (37.9% with between 6 and 50 employees) /B25/. The mean number of employees of Support Organization Internet users is significantly larger than Internet non-users.
- State enterprises were not surveyed in this analysis. Private companies constituted 47.1% of the respondents – Internet users and 44.8% of the respondents – Internet non-users.

	SUPPORT ORGANIZATIONS INTERNET USERS	Support organizations Internet non-users
What type of organization do you have? (%)		
Community Development Org.	35.3	44.8
Consulting firm	27.5	20.7
Business center	19.6	6.9
Training center	5.9	10.3
Business Association	2	-
Research Center	3.9	-
Business Incubator	2.0	-
Micro Finance Institution	2.0	17.2
Is your organization any of the following? (%)		
Self supporting	51.0	72.4
Has domestic support	65	31.0
Has international support	27.5	10.3
Is your organization a member of any business associations or unions? (%)		
No	45.1	82.8
Yes	54.9	17.2

	SUPPORT ORGANIZATIONS INTERNET USERS	Support organizations Internet non-users
<i>Base (number of enterprises)</i>	51	29
How many employees has your organization? (%)		
Micro size organizations – up to 5 employees	17.6	51.7
Small size organizations – 6-50 employees	72.5	37.9
Medium size organizations – 51-250 employees	7.8	3.4
Big size organizations – 251 and more employees	2.0	-
Mean	28.48	10.93

- Only 65.5 % of Support Organizations Internet non-users have computers
- Support Organizations Internet users have an average 3.4 employees for one computer /? 28, B29/
- Support Organizations Internet non-users have an average 7.9 employees for one computer /B25, B26/.

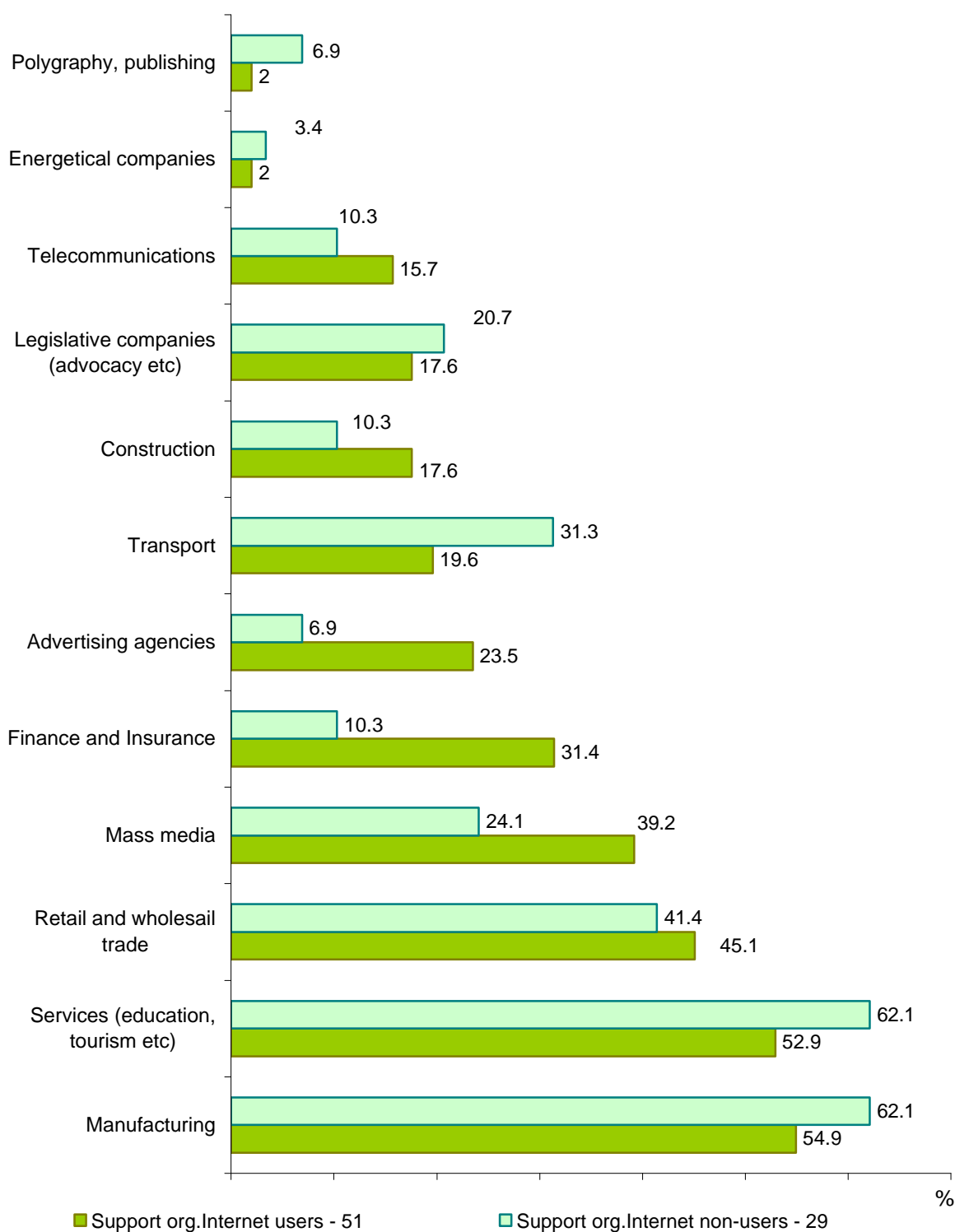
	Support Organizations Internet users	Support Organizations Internet non-users
How many computers does your organization have?		
Mean	8.4	1.3
How many computers in your organizations have the Internet on them?		
Mean	6.4	-
How many employees in your organization use the Internet?		
Mean	7.9	-
? 16, 17. How many hours does your organization use the Internet usually?		
Mean (per day)	7	-
Mean (per month)	172	-

Profile of SMEs clients of Support Organizations

- Each Support Organization Internet user has an average of 360 SME clients /? 8/. Most SME clients have Internet access. (54.9%) /? 12/.
- Each Support Organization Internet non-user has an average of 50 SME clients /B8/
20.7% of Support Organization Internet non-users believe that many SME clients have Internet access, 37.9% believe that some SME clients have Internet access.

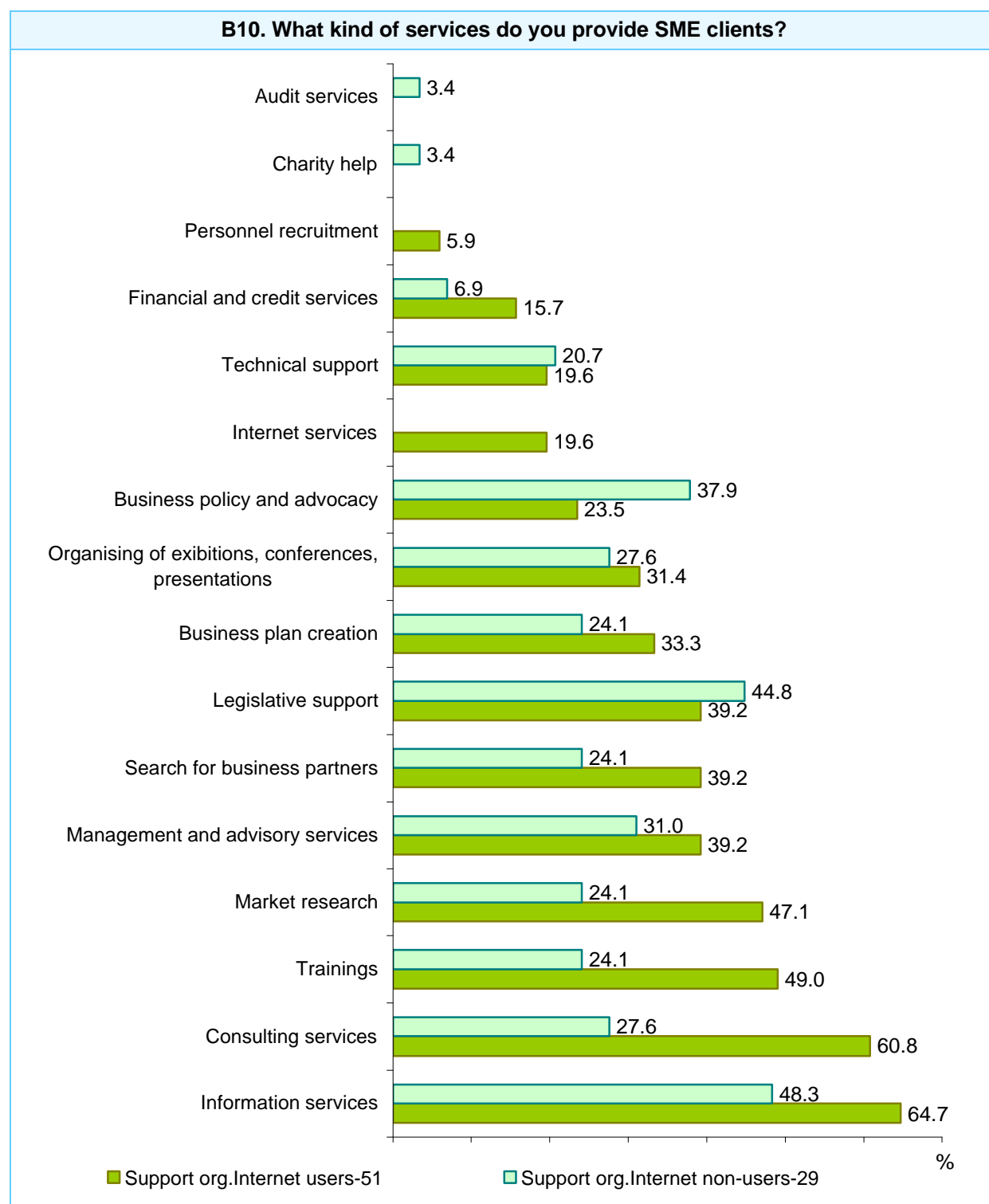
- Most SMEs supported by Support Organizations (Internet users and non-users) belong to such spheres of activity as: manufacturing, services (education, tourism, medicine, etc.) and retail/wholesale trade. /B9/
- Support Organization Internet non-users have a larger share of SME clients who are in transport, manufacturing and service industries, and a smaller share of SME clients who are in mass media, finance/insurance and advertising, when compared with Support Organization Internet users.

B9.What is the sphere of activity of the SME clients you support?

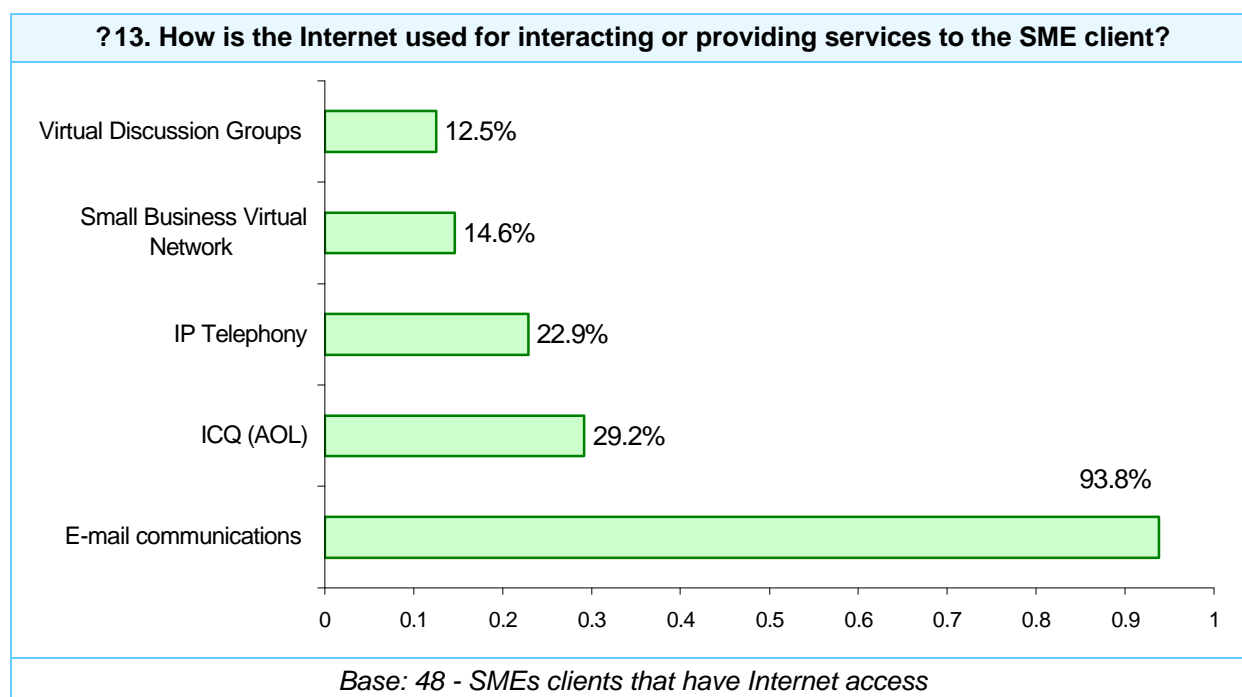


Services provided to SMEs

- Most services provided to SMEs by Support Organization Internet users are: information services (64.7%), and consulting services (60.8%). A secondary set of services provided includes training, market research, management and advisory services, search for business partners and legislative support /B10/
- Most services provided to SMEs by Support Organization Internet non-users are: information services (48.3%), legislative support (44.8%) and business policy/advocacy (37.9%) /B10/



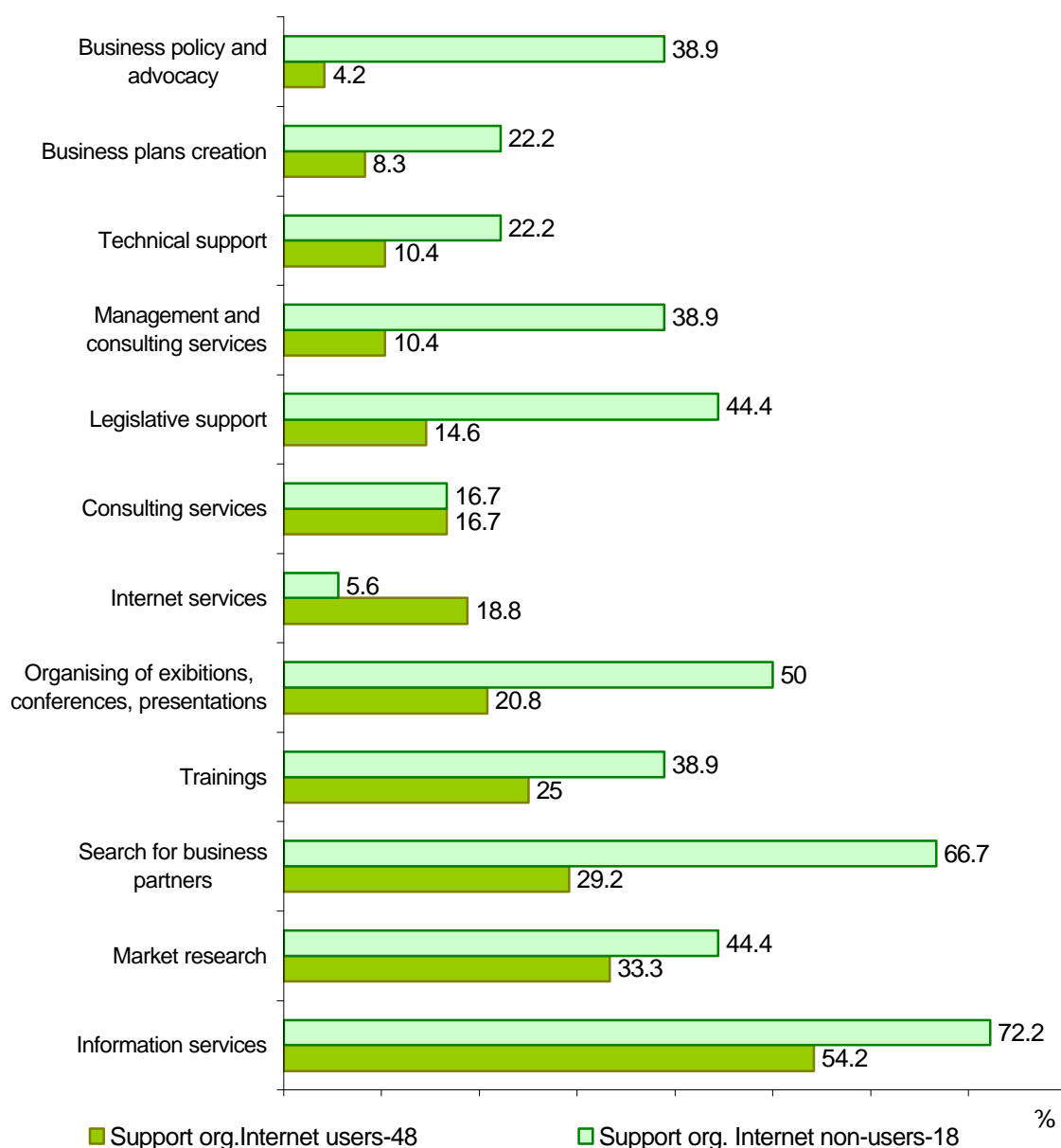
- Support Organization Internet users use E-mail as the most effective means of communication with SME clients (as a rule once a week and more often) /? 13, B14, B15/.



Services provided for SMEs through the Internet

- 76.4% of Support Organization Internet users provide their services to SMEs through the Internet. The services most provided through the Internet are informational services (as a rule provided once a week and more often), market research (usually less than once a month) and search for business partners (once a week and more often) /? 16, B17/.
- Support Organization Internet non-users would provide their SME clients with information services and business partner searches via the Internet. Also, they would provide legislative support and management/consultations services, and organize exhibitions, conferences and presentations.
- Both Support Organization Internet users and non-users consider information services as the most effective way to serve SME clients via the Internet /? 18/.

B.16 What services does your organization provide to SMEs via the Internet?
B14. What services would your organization provide to SMEs via the Internet?



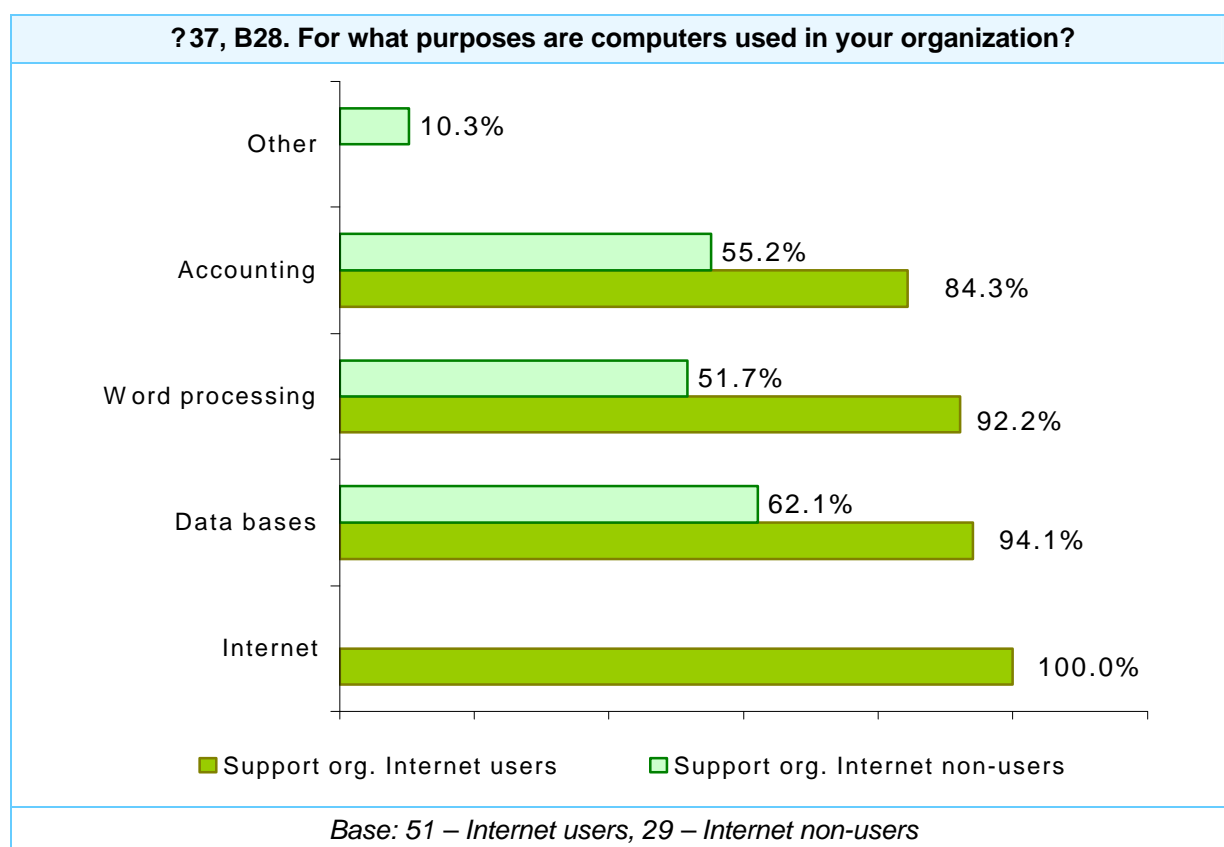
Current and future penetration of SMEs

- Support Organization Internet users believe that 31-32% of all Internet users in the Ukraine today are SMEs /? 23/. They believe the SME percentage will grow from 38% in year 2002 to 44% in 2003 /? 24/.
- Support Organization Internet non-users believe that 25% of all Internet users in the Ukraine today are SMEs /? 20/. They believe the SME percentage will grow from 41-42% in year 2002 to 47-48% in 2003 /? 21/.

Main purposes of computers usage

- All Support Organization Internet users use computers for the Internet.
- Support Organization Internet non-users use computers for databases (62.1%), accounting (55.2%) and word processing (51.7%) /? 37, B28/.

Support Organizations Internet users also use their computers for the same purposes, but with much higher percentages, ranging from 84-94%. /? 37, B28/.

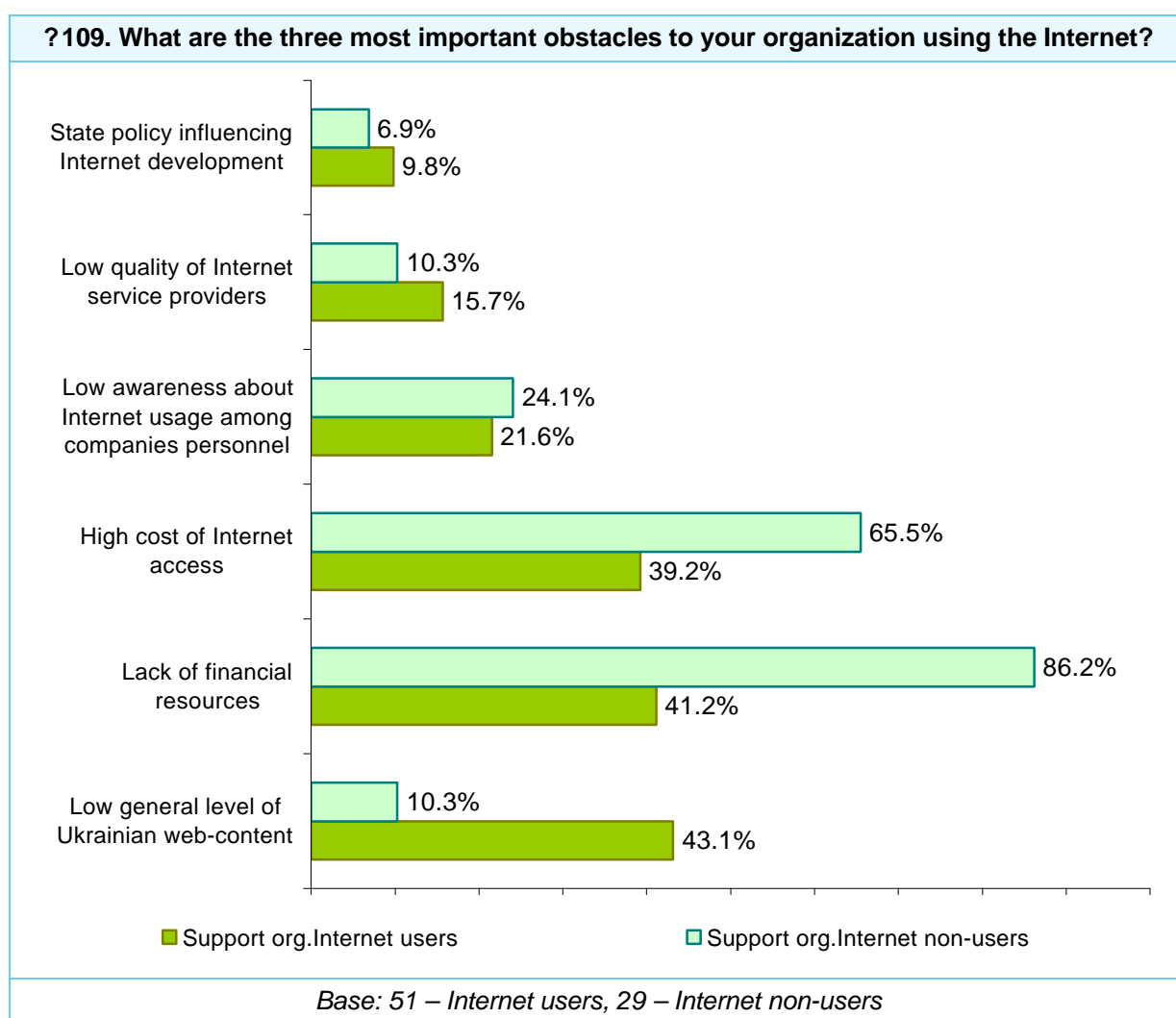


Main obstacles

- The main factors which pose as obstacles for Support Organization Internet users to use the Internet are:
 - low quality of Ukrainian web-content (43.1%),
 - lack of financial resources (41.2%), and
 - high cost of Internet access (39.2%) /? 109/.

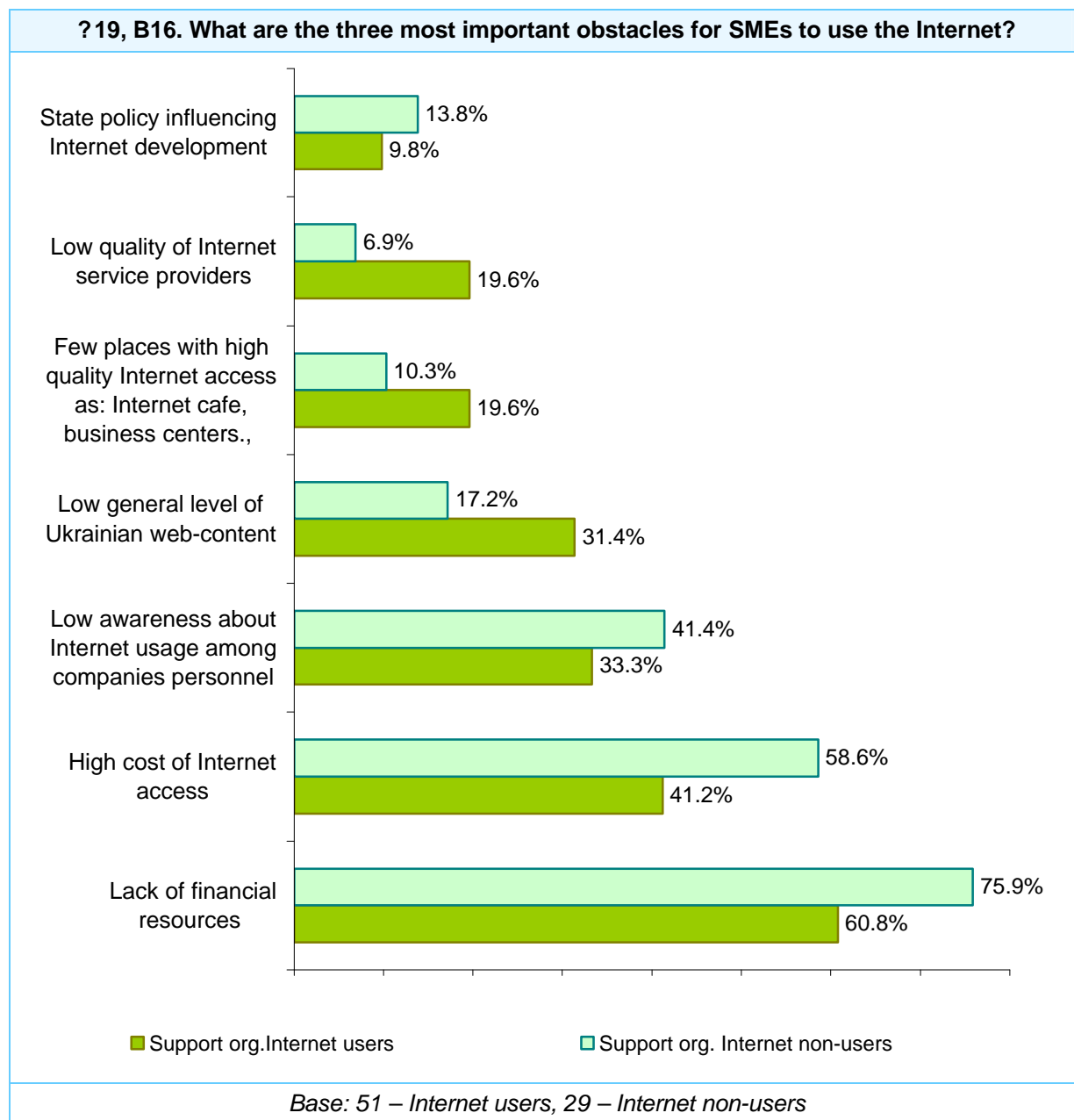
For Support Organization Internet non-users, the main factors which pose as obstacles to use the Internet mostly are financial:

- lack of financial resources (86.2%), and
- high cost of Internet access (65.5%).



- Support Organization Internet users consider that the most important factors which pose as obstacles for SMEs to use the Internet are lack of financial resources (41.2%), high cost of Internet services (39.2%) and low awareness about Internet usage among company personnel (21.6%) /? 19/.

- Support Organization Internet non-users consider that the most important obstacles for SMEs to use the Internet are
 - lack of financial resources (75.9%),
 - high cost of Internet access (58.6%), and
 - low awareness about Internet use among company personnel (41.4%) /? 16/.



ACCESS

Type of access

- 54.9% of Support Organization Internet users use dial-up, and 47.1% use leased lines /? 43/. Only 2% of Support Organization Internet users have Internet access out of the office /? 43/.
- 81.3% of Support Organization-potential Internet users plan to use dial-up, and 37.5% plan to use leased lines /? 42/.
- When choosing an ISP, the most important factors for Support Organization Internet users are reliability of connection (78.4%), speed of data transfer (72.5%) and speed of connection (66.7%) /? 41/. However, the level of satisfaction with these parameters is not high. Support Organization Internet users are most satisfied with the image and services provided by ISPs; and are least satisfied with training and cost of Internet services /? 42/.
- Support Organization Internet non-users know that they can get Internet access at Internet cafes (44.8%) and at Support Organizations (business centers, consulting, etc) (41.4%). But 23.1% of such organizations don't use Internet cafes for Internet access because they find the environment inappropriate (noisy etc.) or the location inconvenient. /B34, B35/.
- Most Support Organization Internet non-users (58.6%) don't know other Support Organizations that use the Internet. /B31/

Cost of access

- Support Organizations who have dial-up Internet access pay an average of 181.96 UAH per month. /B47/ Support Organizations who have leased lines pay an average of 615.6 UAH per month /B51/
- Support Organizations Internet non-users plan to pay significantly less for Internet access than Support Organization Internet users currently pay. /B44/

B47 (B44). How much does your organization pay / plan to pay

for Internet access per month, UAH?

	Support Organization Internet users	Support Organization Internet non-users
Leased line	615.6	200.00
Dial-up	181.96	29.38

Package of services

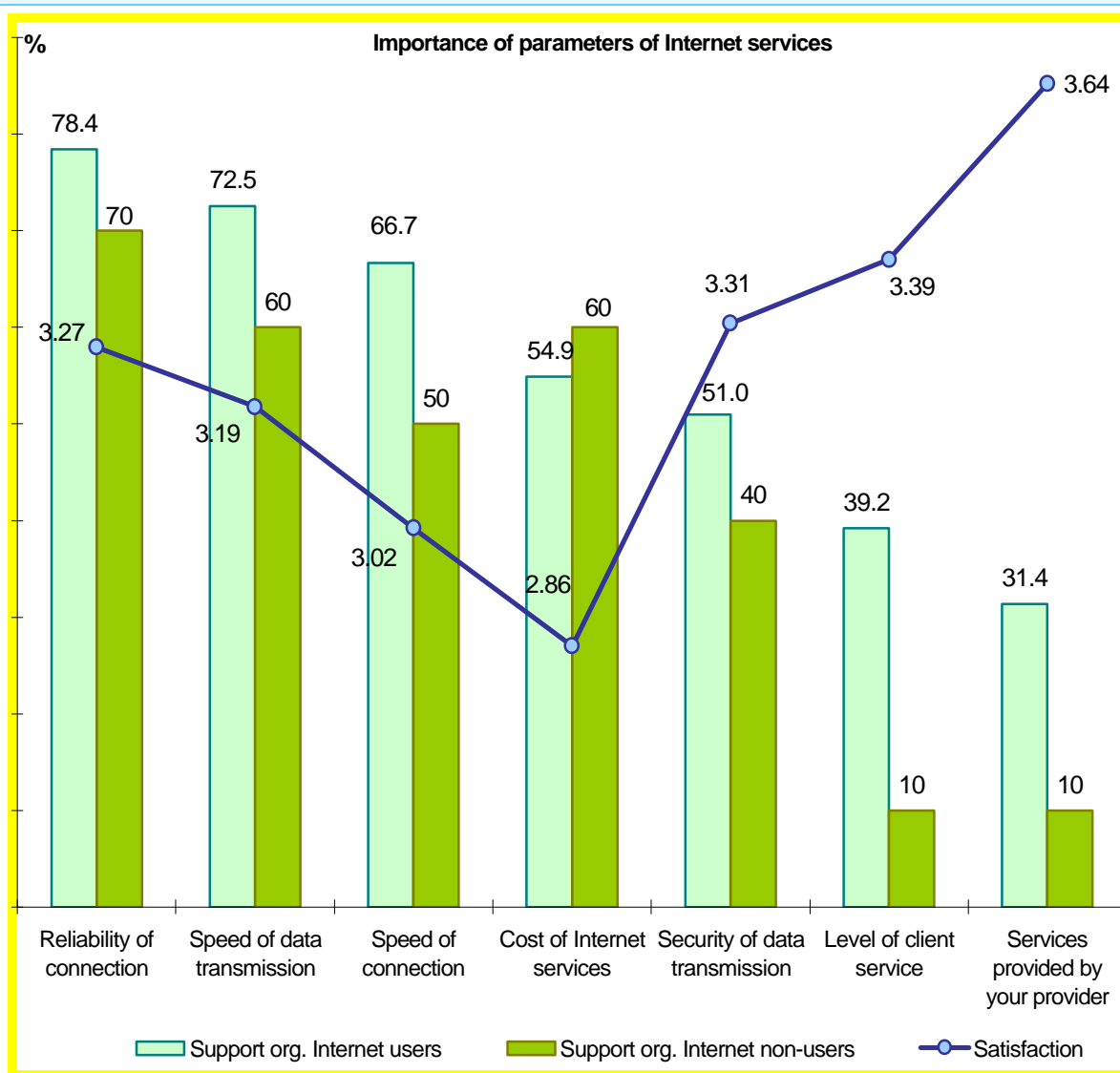
- Most Support Organization Internet users which have leased lines obtain unlimited access for a fixed fee (58.3%) /? 50/. Support Organization Internet users that have dial-up access prefer to use a contract package of services (21.4%-28.6%); pre-paid cards are used by 3.6% /? 54/.
- The most attractive forms of payment for those who plan to use dial-up among Support Organization Internet non-users are fixed fee + payment by hours (37.5%), pre-paid cards (25.0%) and fixed number of hours for a fixed fee /? 45/. Support Organization Internet non-

users which plan to use leased lines mostly prefer to pay only for the amount of downloaded information (66.7%) /? **46**/.

Importance and satisfaction of Internet characteristics

- When choosing an ISP for Internet access the most important factors for Support Organization Internet non-users are: reliability of connection (70.0%), cost of Internet services (60.0%), speed of data transfer (60.0%) and speed of connection (50.0%) /? 41/.
- When choosing an ISP for Internet access the most important factors for Support Organization Internet users are: reliability of connection (78.4%), speed of data transfer (72.5%), speed of connection (66.7%) and cost of Internet services (54.9%) /? 41/.

? 41. Which characteristics of Internet services are important for your organization?
B42. How satisfied are you with the following parameters of Internet services you use?
 (1 – absolutely unsatisfied, 5 – absolutely satisfied)



Base: Support org. Internet users – 51, Support org. Internet non-users – 10

Access satisfaction

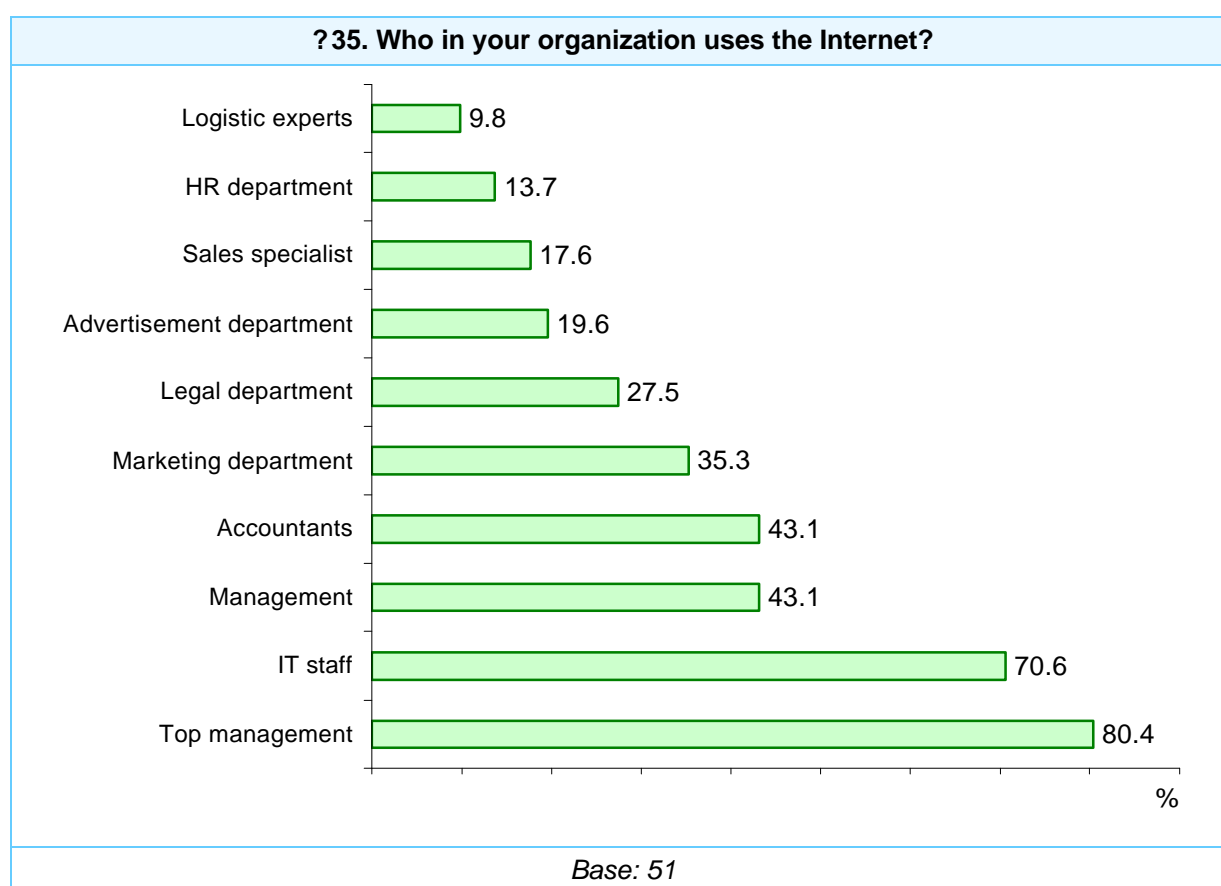
- Support Organization Internet users, which have dial-up Internet access are more satisfied with quality of Internet services than Support Organization Internet users which use leased lines /B48, B49, B55, B56/.

		Leased access line	Dial-Up
? 48/55. How satisfied are you with the price? (1 – very high, 5 – very low)	3 TB* (%)	83.4	75.0
	Mean	2.62	2.16
? 49/56. How satisfied are you with the quality of service? (1 – very bad, 5 – very good)	3 TB (%)	91.6	60.6
	Mean	3.36	3.48

* **3TB (top boxes)** – mean merged percentage of answers for three top variants in scale, e.g. very high, high, affordable

Mastery

- Mostly, top management and IT specialists at Support Organizations use the Internet. Both use the Internet regularly /? 35, B36/.



Internet basics

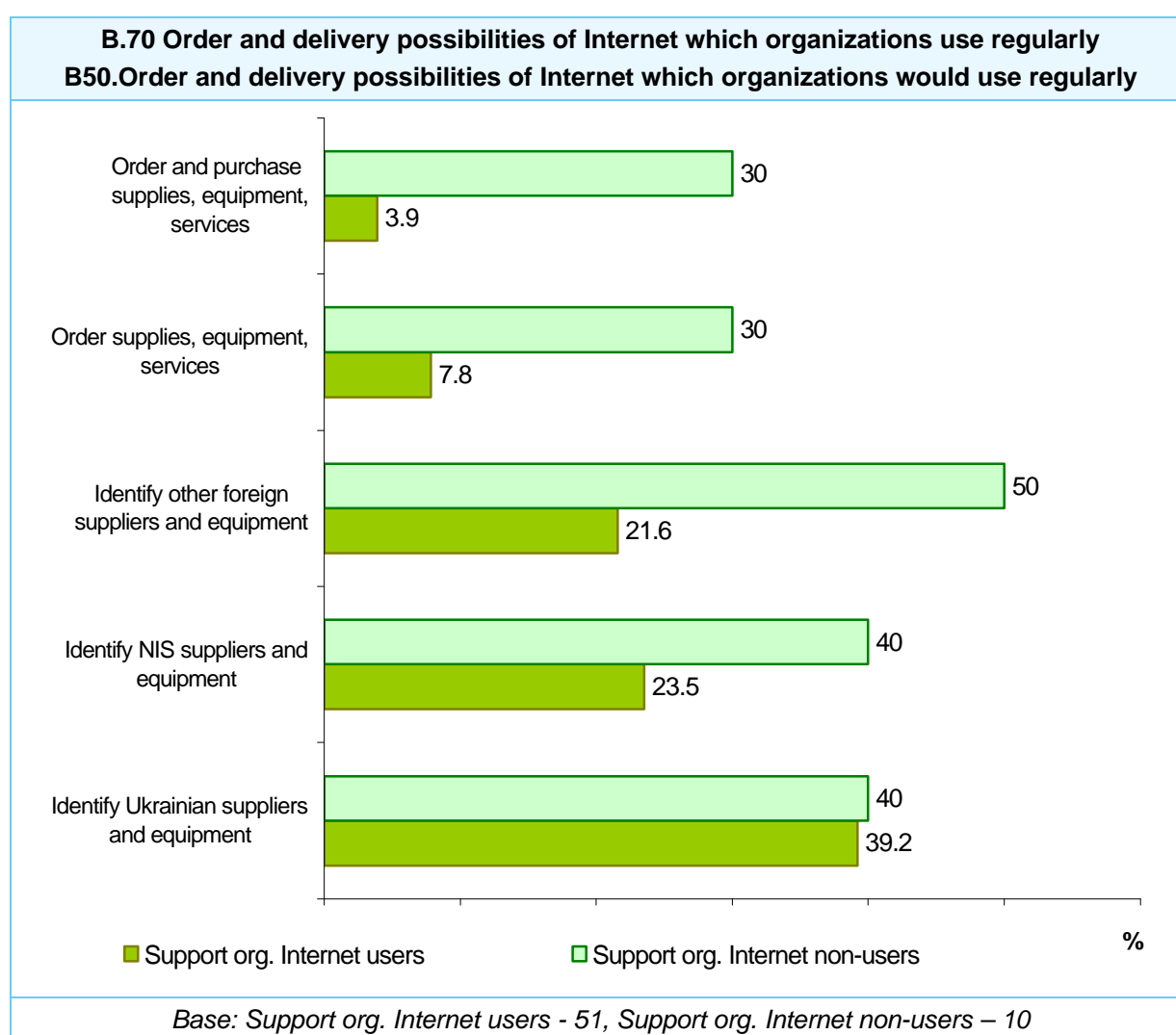
- The Internet is used by Support Organization Internet users most often for E-Mail and to search for information **/B67/**. These were the main reasons that made Support Organization Internet users to initially acquire Internet access **/? 64/**.
- The majority of Support Organization - potential Internet users plan to regularly use E-Mail (93.8%), and search for information (75.0%).
- The majority of Support Organization Internet Users don't join ICQ (Internet tool for communication) (62.7%) and on-line discussion groups/forum (60.8%). Only one in ten Support Organization Internet users regularly participate in on-line discussions and forums. Only one in five regularly participate in ICQ.
- Potential Internet users among Support Organizations are not very interested in discussion groups/forums and creating web sites. Only one in four Support Organizations with an interest in the Internet plan to join online groups/forums. **/? 47/**.

Required help

- The majority of Support Organization Internet users do not require help (from outside) to use E-Mail, ICQ and search for information. Support Organizations mostly want help with organizing their web sites (25.5%) **/? 69/**.
- Half of Support Organization Internet non-users need help from outside for using these services (E-Mail – 50%, search for information – 40.0%) **/? 47-49/**.

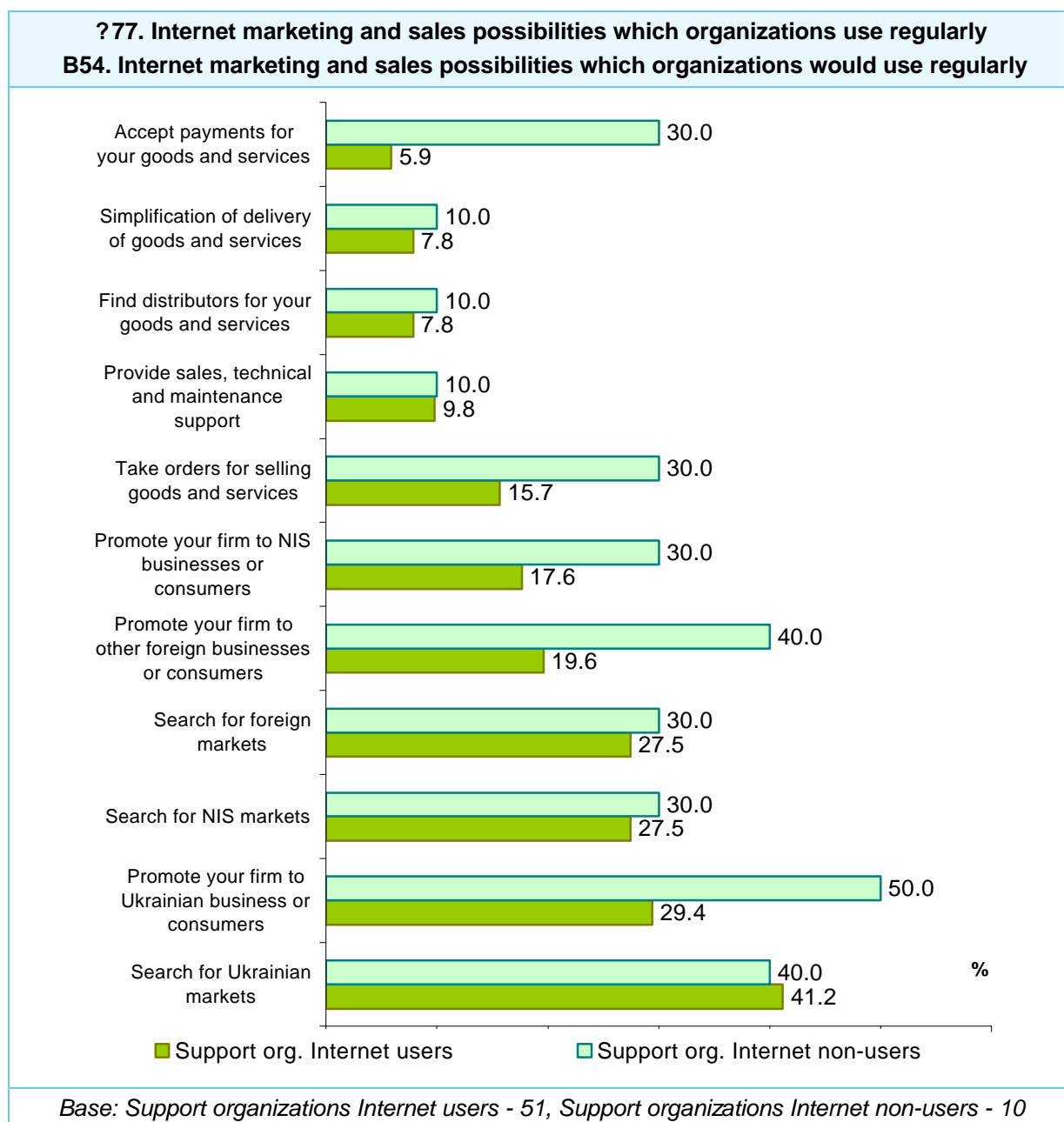
Order and delivery via Internet

- Support Organization Internet users regularly use the Internet to identify Ukrainian, NIS and other foreign sources of supplies and equipment /? 70/.
- Support Organization Internet non-users would be most interested in on-line searches for information about supplies and equipment; foremost from foreign and secondarily from domestic and NIS sources /? 50/.
- Order and purchases of goods, equipment and services through the Internet are rather seldom made (3.9%-7.8%) /? 70/. Significant numbers of Support Organization Internet users had problems with ordering and delivering through the Internet (31.4%) /? 74/. Such problems were mainly related to out-of-date web sites. (37.5%) /? 76/.
- 37.5% of Support Organizations that plan to access the Internet would also use it to order and purchase supplies, equipment and services /? 50/.



Marketing and sales via Internet

- Support Organization Internet Users most regularly search for information about Ukrainian markets when using the Internet for marketing and sales opportunities (41.2%) /? 77/. More seldom do they search for information about NIS (27.5%) and foreign (27.5%) markets.
- Support Organization Internet non-users intend to regularly use the Internet to promote their firm to Ukrainian businesses and consumers (50.0%) /? 54/.



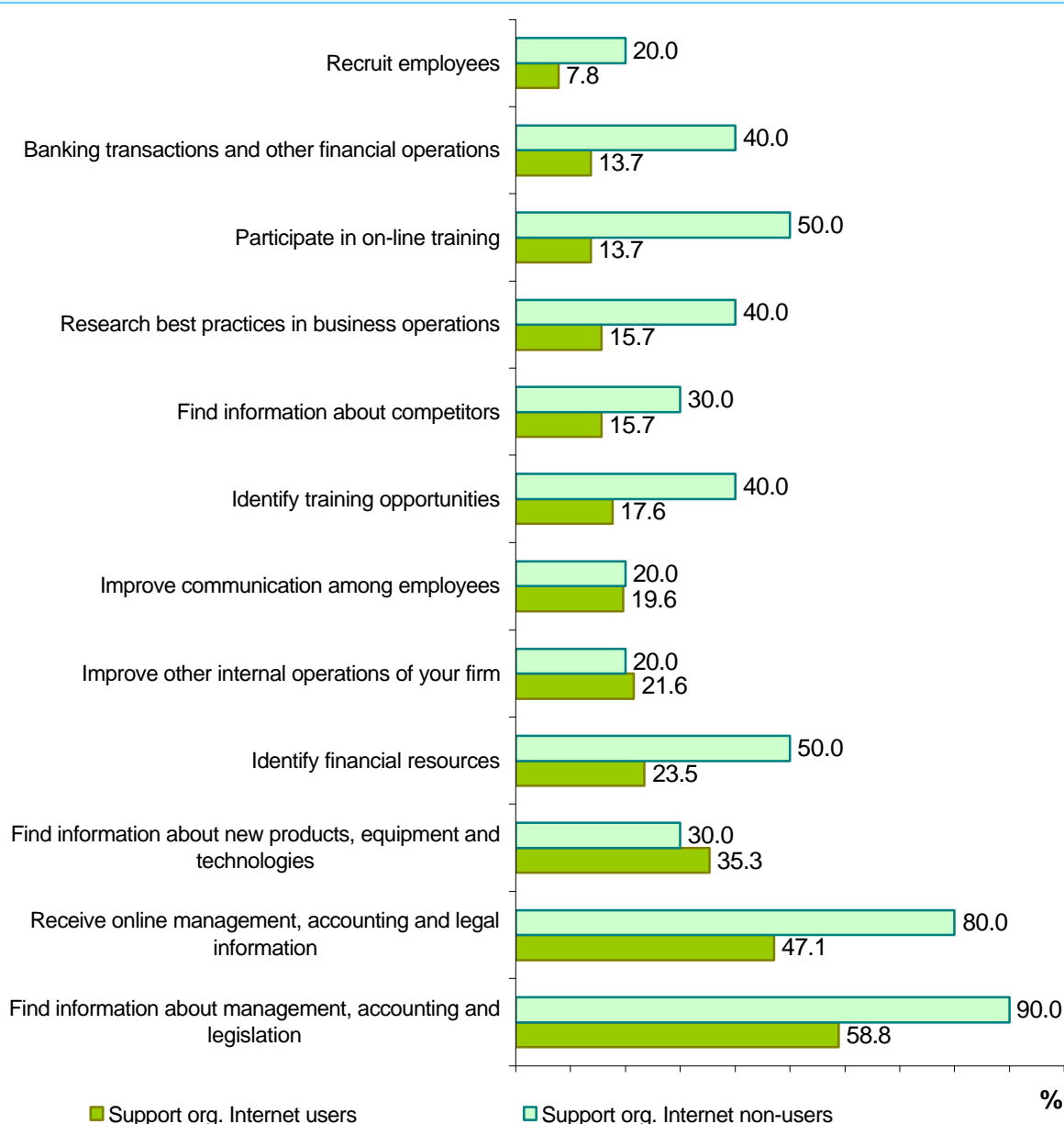
- Problems related to marketing and sales through the Internet were experienced by 9.8% of Support Organization Internet users /? 81/. Problems experienced concerned poor web content and out-of-date web sites /? 83/.

Improvement of business operations

- Support Organization Internet users regularly seek to improve business operations over the Internet by searching for information about management, accounting and legislation (58.8%) and receiving such information interactively (47.1%). Quite seldom is the Internet used for staff recruitment (7.8%), banking and financial operations (13.7%), interactive training (13.7%), research on optimum business practices (15.7%) and information about competitors (15.7%).
- Support Organization Internet non-users plan to regularly search for information about management, accounting and legislation (90.0%), and receive online management, accounting and legal information (80.0%) /? 58/.

? 84. Improving business operations over the Internet which organizations regularly use

? 58. Improving business operations over the Internet which organizations would regularly use

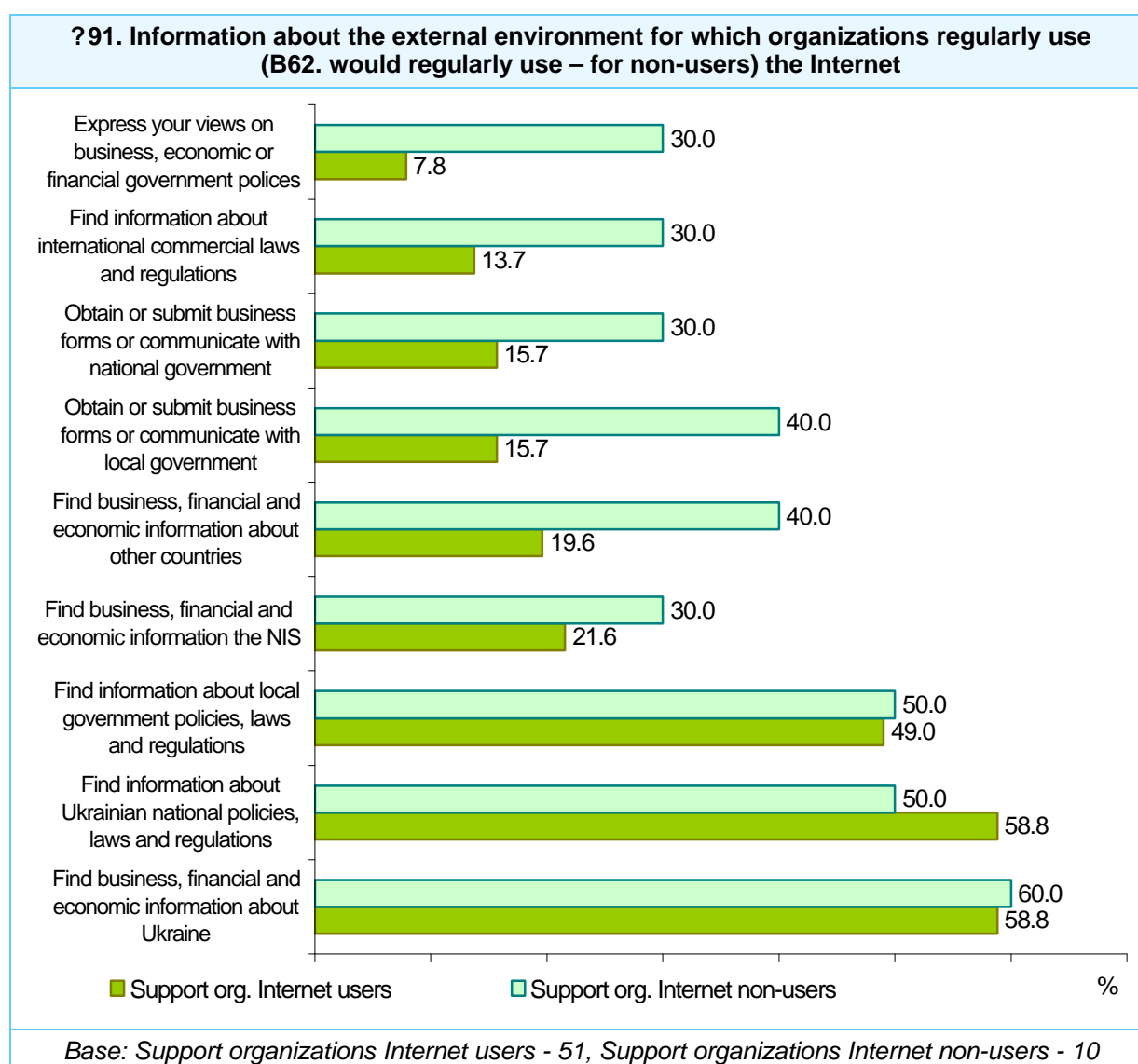


Base: Support organizations Internet users - 51, Support organizations Internet non-users – 10

- Problems related to improving business operations with the Internet were experienced by 15.7% of Support Organization Internet users **/? 88/**. Problems were related to out-of-date web sites and difficulties in searching for information **/? 90/**.

Information about external environment

- To receive information about the external environment through the Internet, employees of Support Organization Internet users search for business, financial and economic information about Ukraine (58.8%), about Ukrainian national policy (58.8%) and information about local governmental policies (49.0%). **/? 91/**. Support Organization Internet users are less interested in the external environment in the NIS or other countries.
- To receive information about the external environment through the Internet, Support Organization Internet non-users plan to regularly carry out on-line searches for business, financial and economic information about Ukraine (60.0%), information about local government policies, laws and regulations (50.0%) and information about Ukrainian national policies, laws and regulations (50.0%) **/? 62/**.
- Most Support Organization Internet non-users (80%) don't know how much information exists about the external environment on the Internet **/B64/**.

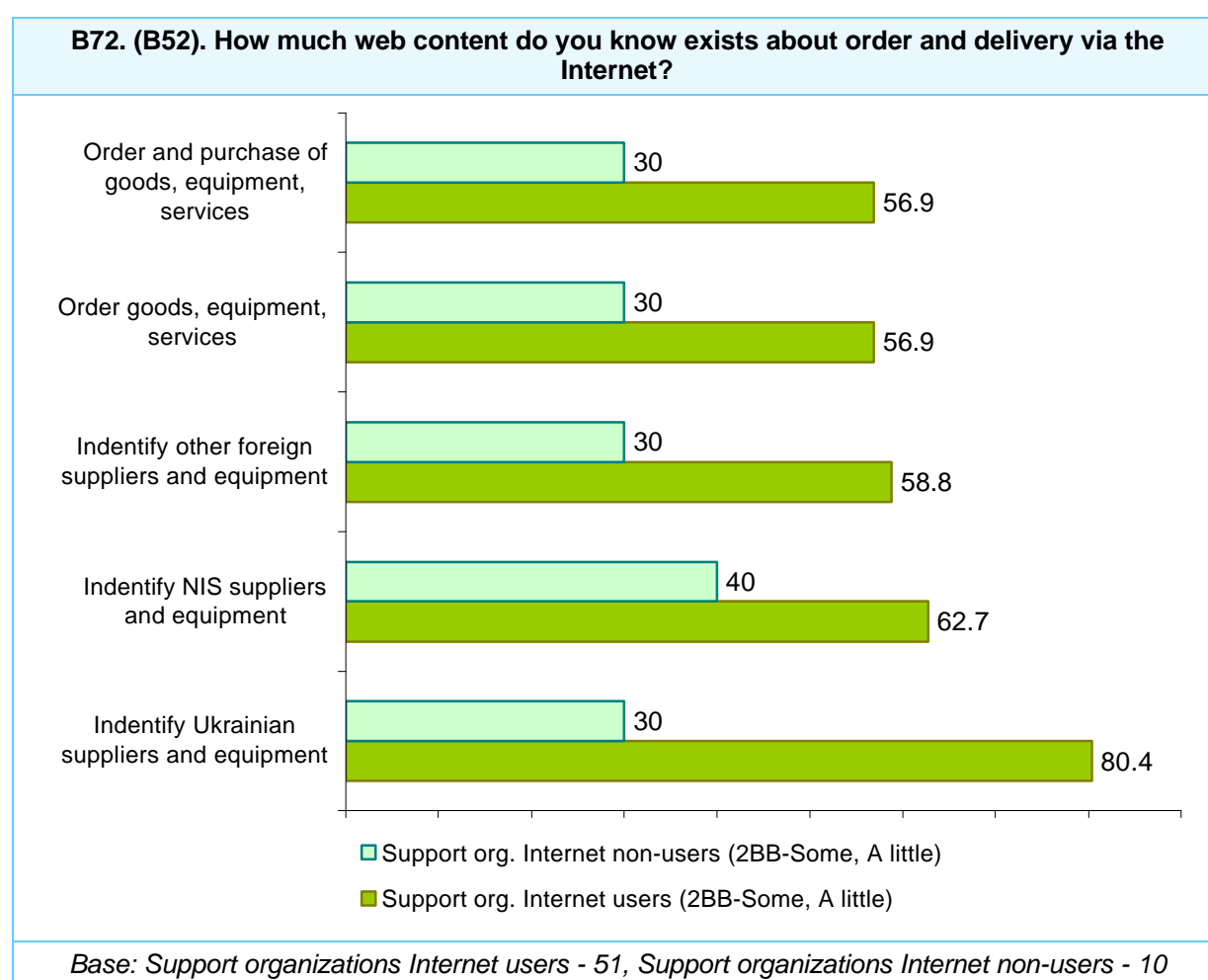


Content

- Only up to 32% of Support Organization Internet users believe there is a lot of web content on the Ukrainian market. The vast majority believes there is not enough web content. /? 72, B79, B86, B93/.
- The majority of Support Organization Internet non-users do not know how much web-content exists on the Ukrainian market. /B52, B56, B60, B64/.**

Order and delivery

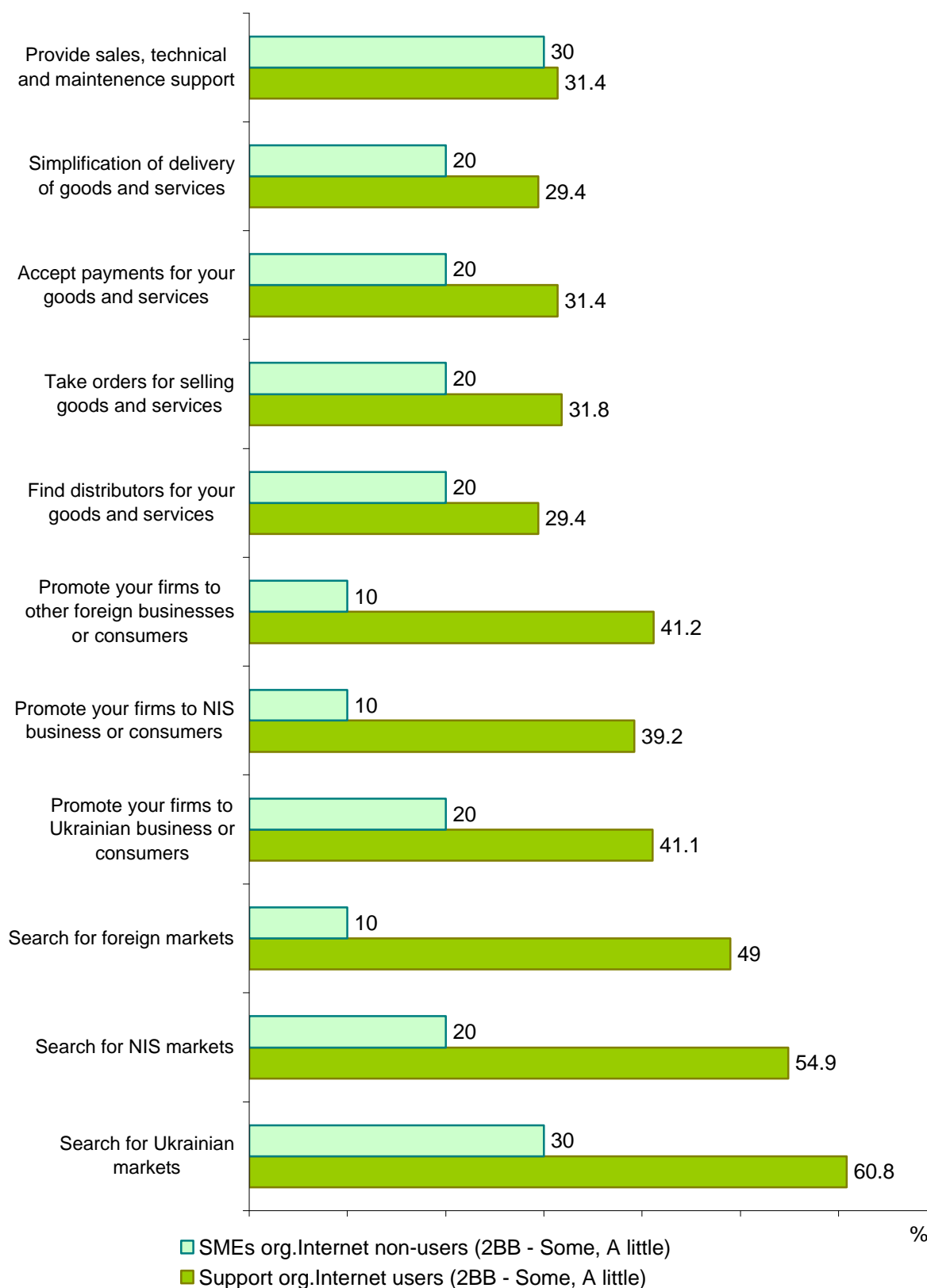
- The majority of Support Organization Internet users see little content on the Internet for identifying, ordering and purchasing supplies, especially from Ukrainian and NIS sources. The majority of Support Organization Internet non-users weren't able to evaluate on-line supply management.



Marketing and sales

- The majority of Support Organization Internet users see little content on the Internet for identifying markets, promoting into those markets, taking orders, executing sales and providing after-sales support. They are especially disappointed with Ukrainian and NIS market information. The majority of Support Organization Internet non-users weren't able to evaluate on-line marketing and sales.

B79. (B56). How much web content do you know exists about marketing and sales via the Internet?

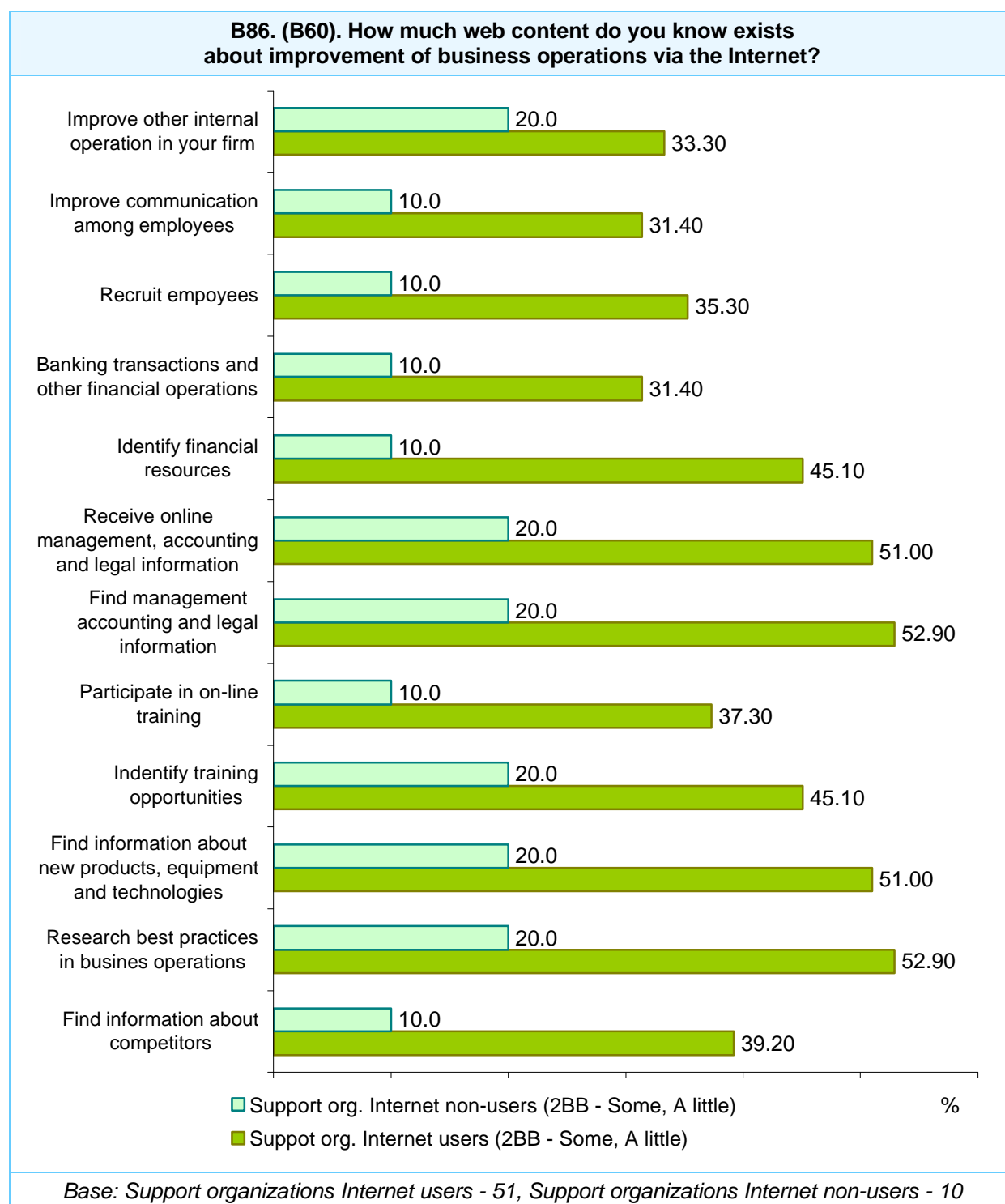


Base: Support organizations Internet users - 51, Support organizations Internet non-users - 10

Improvement of business operations

- More than half of Support Organization Internet users find little on-line content with respect to management, accounting, legislation, best practices in business operations, new products, equipment and technologies information.

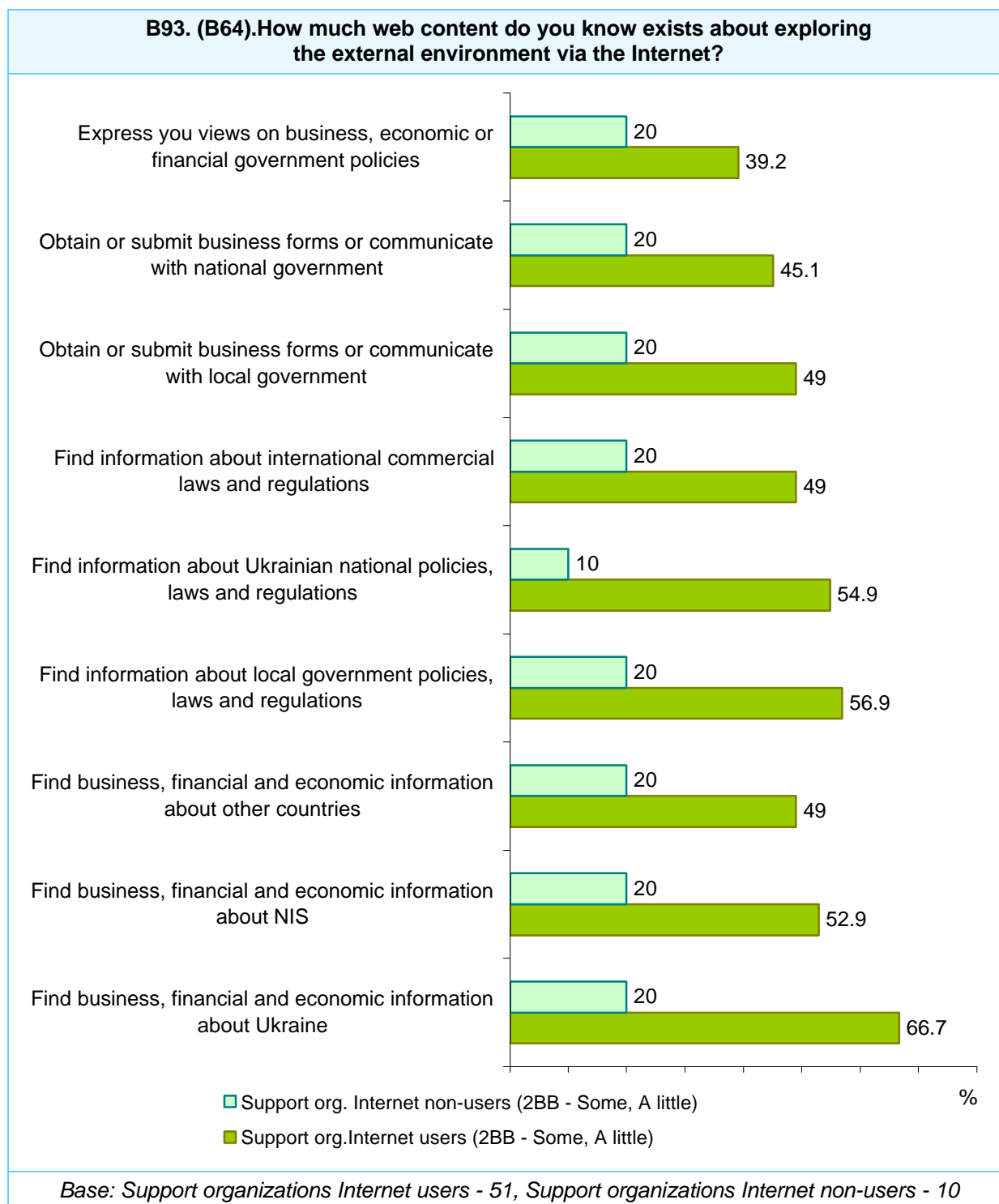
The majority of Support Organization Internet non-users weren't able to evaluate on-line business operations information.



Information about external environment

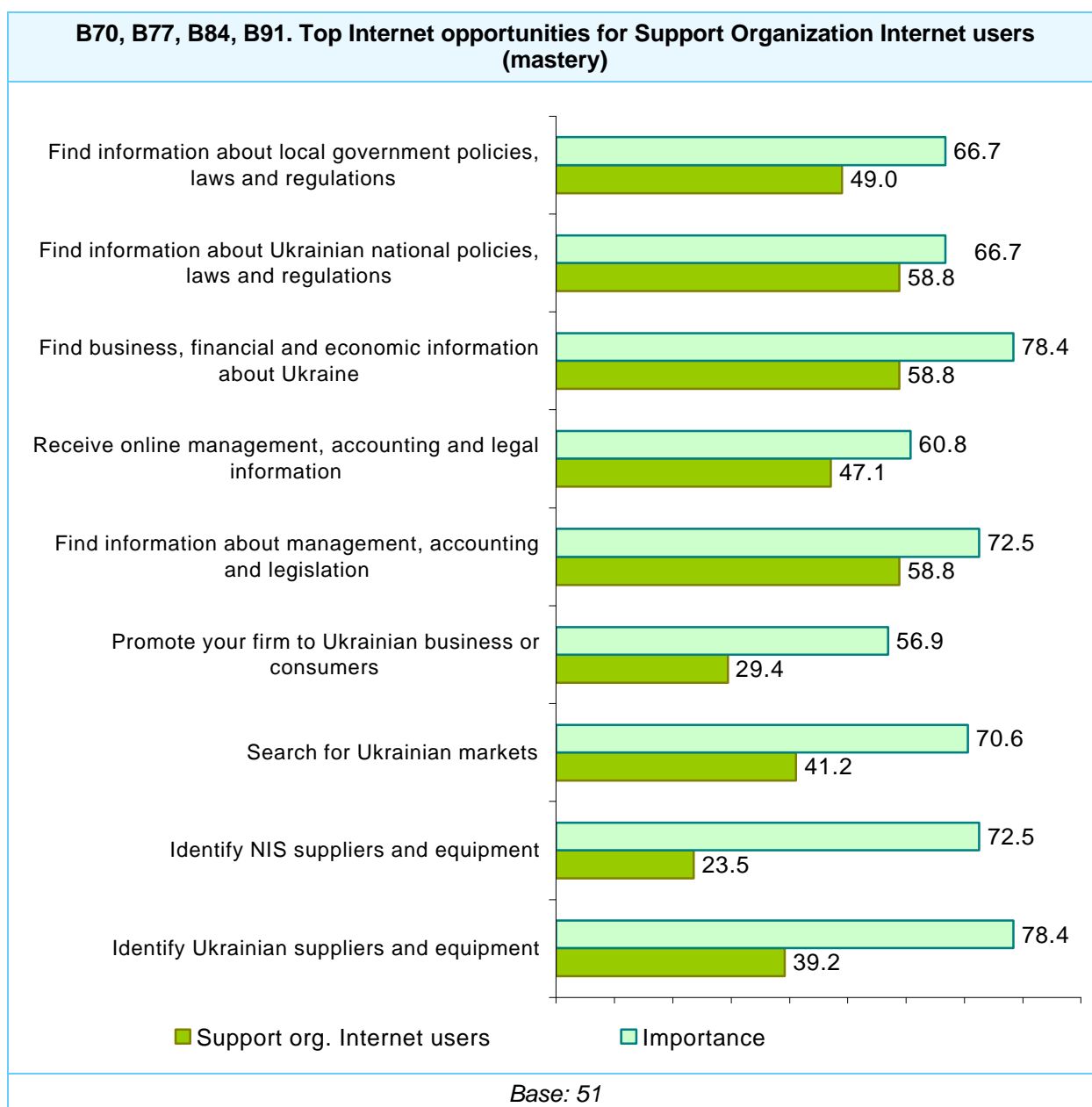
- More than half of Support Organization Internet users find little on-line content with respect to business, financial, economic information about Ukraine and NIS, Ukrainian national and local government policies, laws, regulations.

The majority of Support Organization Internet non-users weren't able to evaluate on-line information concerning the external environment.



Top uses of Internet Opportunities

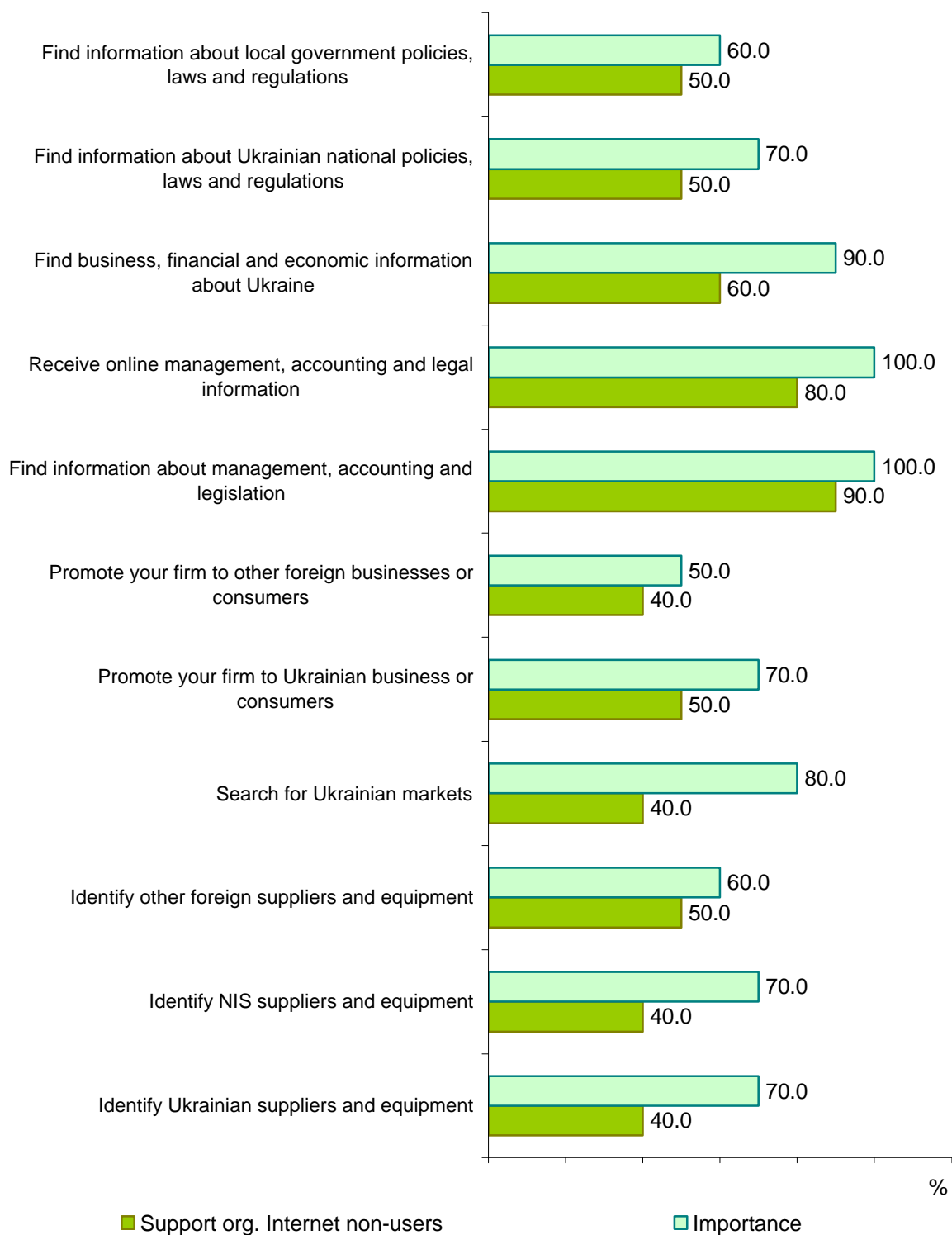
- Support Organization Internet users primarily utilize the Internet to improve internal business operations (management, accounting and legal information) and to explore Ukraine's environment (national and local policies and business, financial and economic information).
- In all respects, Support Organization Internet users attach greater importance to using the Internet than they are currently practicing. Consequently all these opportunities are prospective for Support Organization Internet users /B70, B77, B84, B91/.



- Support Organization Internet non-users plan to utilize the Internet mostly to improve internal business operations (management, accounting and legal information) and to explore Ukraine's environment (national and local policies and business, financial and economic information). They also intend to use the Internet to identify foreign suppliers and to promote themselves in Ukrainian markets.

- In all respects, Support Organization Internet non-users attach greater importance to using the Internet than they would regularly practice. This suggests they lack the confidence and capabilities to conduct business on-line. /B50, B54, B58, B62/.

B50, B54, B58, B62. Top Internet opportunities for Support Organization Internet non-users (mastery)



Base: 10

Required help

- Up to 45% of Support Organization Internet users would appreciate external help for identifying, ordering and purchasing supplies and equipment on-line. Their primary interest is in identifying Ukrainian suppliers over the Internet, followed by NIS and other foreign suppliers. Support Organization Internet users believe that web content is more important to them than training or literature. /? 73/.
- Most Support Organizations that are potential Internet users are unfamiliar with using the Internet to identify, order and purchase supplies, equipment and services /? 52/. Therefore most of these organizations require external help to identify, order, and/or purchase on-line /? 53/.

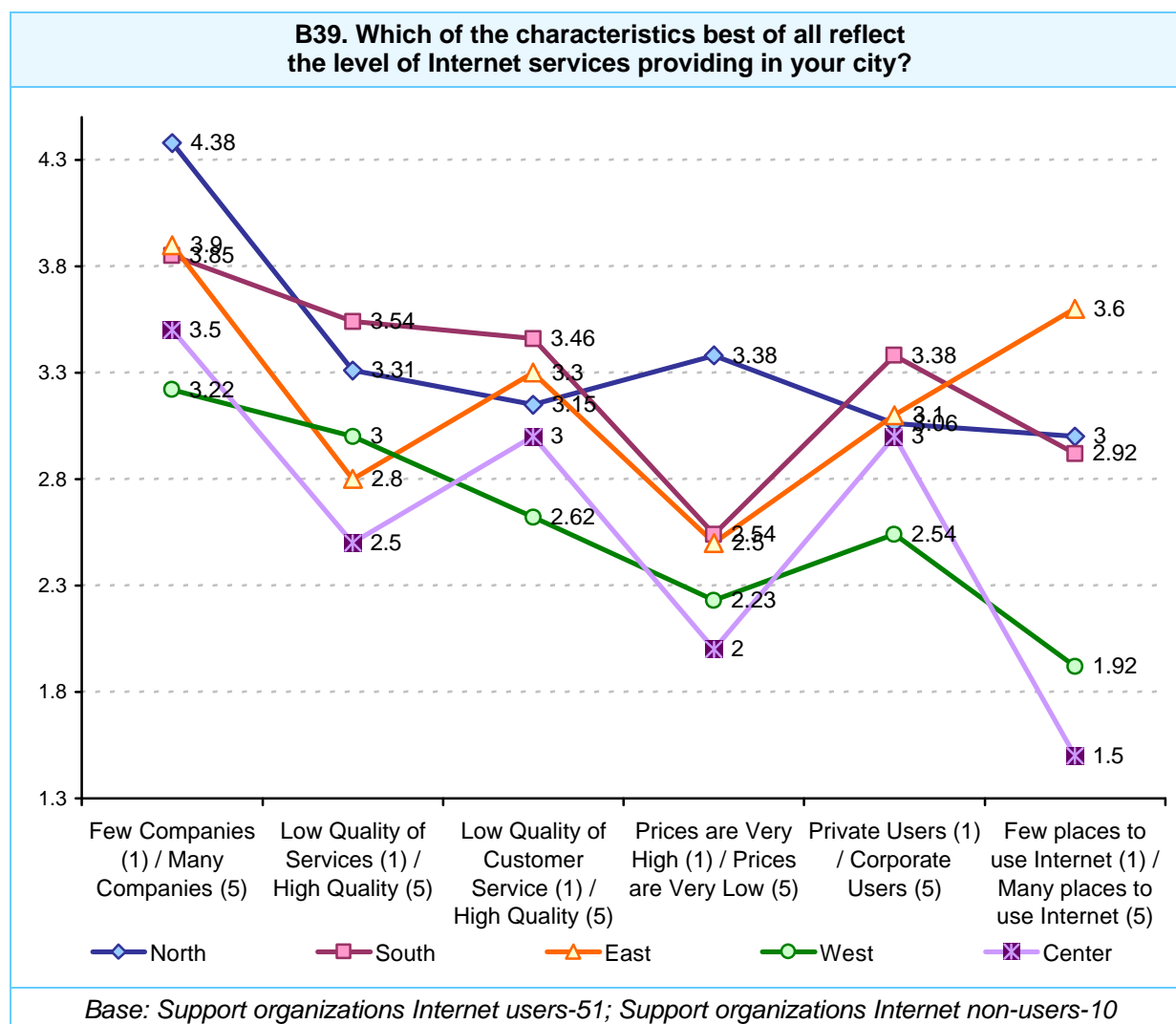
Support Organizations that are potential Internet users could consequently benefit most from training and special literature which explain how to order goods, equipment and services through the Internet (60.0%) /? 53/.

- Up to 30% of Support Organization Internet users would appreciate external assistance with on-line marketing and sales. These Support Organizations are most interested in identifying Ukrainian markets, for which web content would be most appropriate.
- Most Support Organizations that are potential Internet users would appreciate external assistance for on-line marketing and sales. Specifically, they need help to identify Ukrainian markets, promote themselves to Ukrainian customers, and take orders from such customers. They view their needs primarily in the form of training and literature /? 57/.
- Up to 25% of Support Organization Internet users believe they could use outside assistance in using the Internet to improve their internal operations. Some see the need for more web content, while others would appreciate training and specialized literature for utilizing the Internet more effectively.
- More than 50% of Support Organizations that are potential Internet users would require external help in using the Internet to improve their internal business operations. Training and literature would be the preferred means of such external assistance. /? 61/.
- Up to 35% of Support Organization Internet users believe they could benefit from outside help in using the Internet to explore the external environment. Their strong interest is in more web content, ranging from business, financial and economic information about the Ukraine to local Ukrainian laws.
- About 60% of Support Organization Internet non-users need help for identifying business, financial and economic information about Ukraine, information about local/national government policies, laws and regulations. The best kind of help would be training and literature /? 65/.

Variations

- The majority of Support Organization Internet users in large cities believe they have more companies which provide Internet services than counterparts in small cities. These companies provide Internet services at lower prices than in small cities. There are very few places where it is possible to use the Internet in small cities when compared with large cities /B39/.
- Support Organization Internet non-users in large cities also believe they have more companies and public facilities that provide Internet services as compared to Support Organization non-users in small cities /B30/.
- Northern Support Organization Internet users believe they have more companies providing Internet access than counterparts in western Ukraine believe.

- Southern Support Organization Internet users consider they have better Internet service quality compared to counterpart organizations in the East. Also southern Support Organization Internet users evaluated customer service higher than western Support Organization Internet users.
- Northern Support Organizations see lower Internet prices than Support Organizations located in the West and East of Ukraine. The East is characterized as a region where more public facilities are available to access the Internet than in the West or Center of Ukraine /B39/.



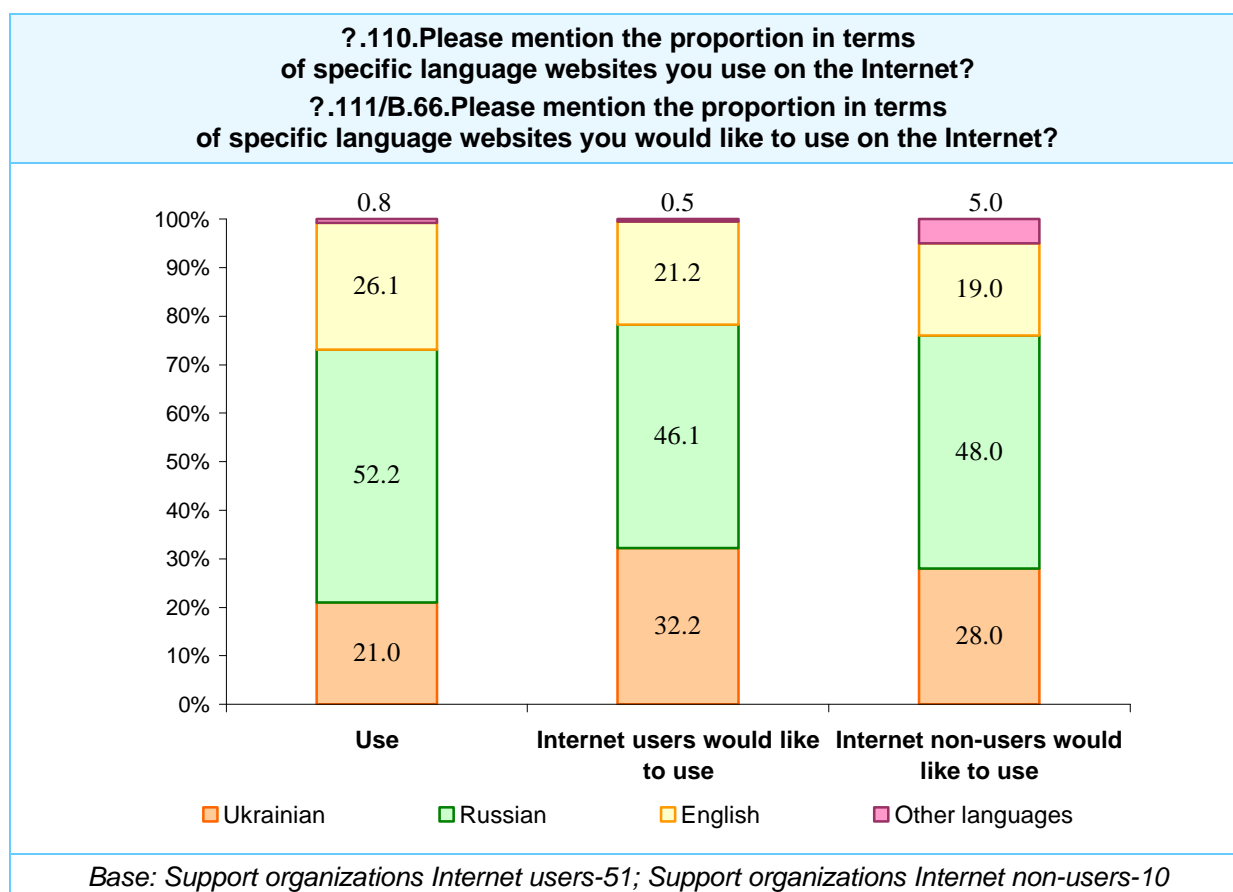
- Eastern Ukraine evaluated such characteristics of Internet services, as speed of data transmission, as less important than for western Ukraine. Speed of connection is more important for eastern Ukraine than for the West, Center or North. Cost of Internet services is a more crucial characteristic for the West than for the North /B41/.

Web-sites of Support Organization Internet users

- The majority of Support Organization Internet users (58.8%) have web sites /? 98/ created primarily by in-house design teams (73.3%) /? 101/. The main purposes of these web sites were for company advertisement (90%) and for creating and supporting the firm's image (76.7%). However, Support Organizations are not very satisfied with effectiveness of their web sites /? 102, B103/.
- 25.5% of Support Organization Internet users that do not have web sites plan to create them in the next 6 months. /? 104/. Web sites are planned to be created by local web design teams. (69.2%) /? 106/.

Language of web-content

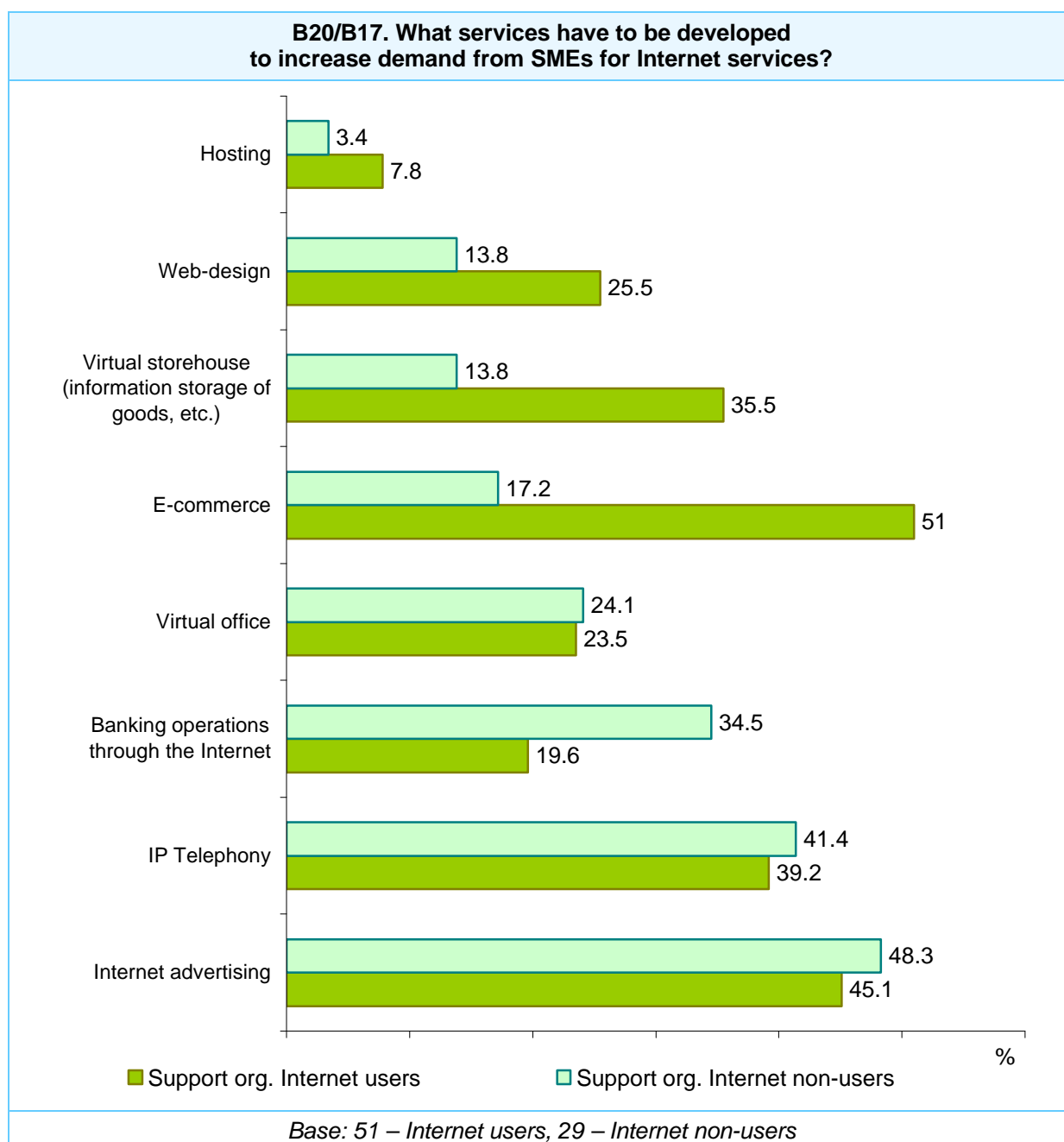
- The majority of Support Organization Internet users visit web sites in Russian (52.2%) /? 110/. The same tendency will be observed at least for the next two years. However, the share of organizations that would like to visit web sites in Ukrainian will increase /? 111/.
- 48% of Support Organization Internet non-users prefer to use web sites in Russian. 28% of Support Organization Internet non-users would prefer to use Ukrainian language web sites /? 66/.



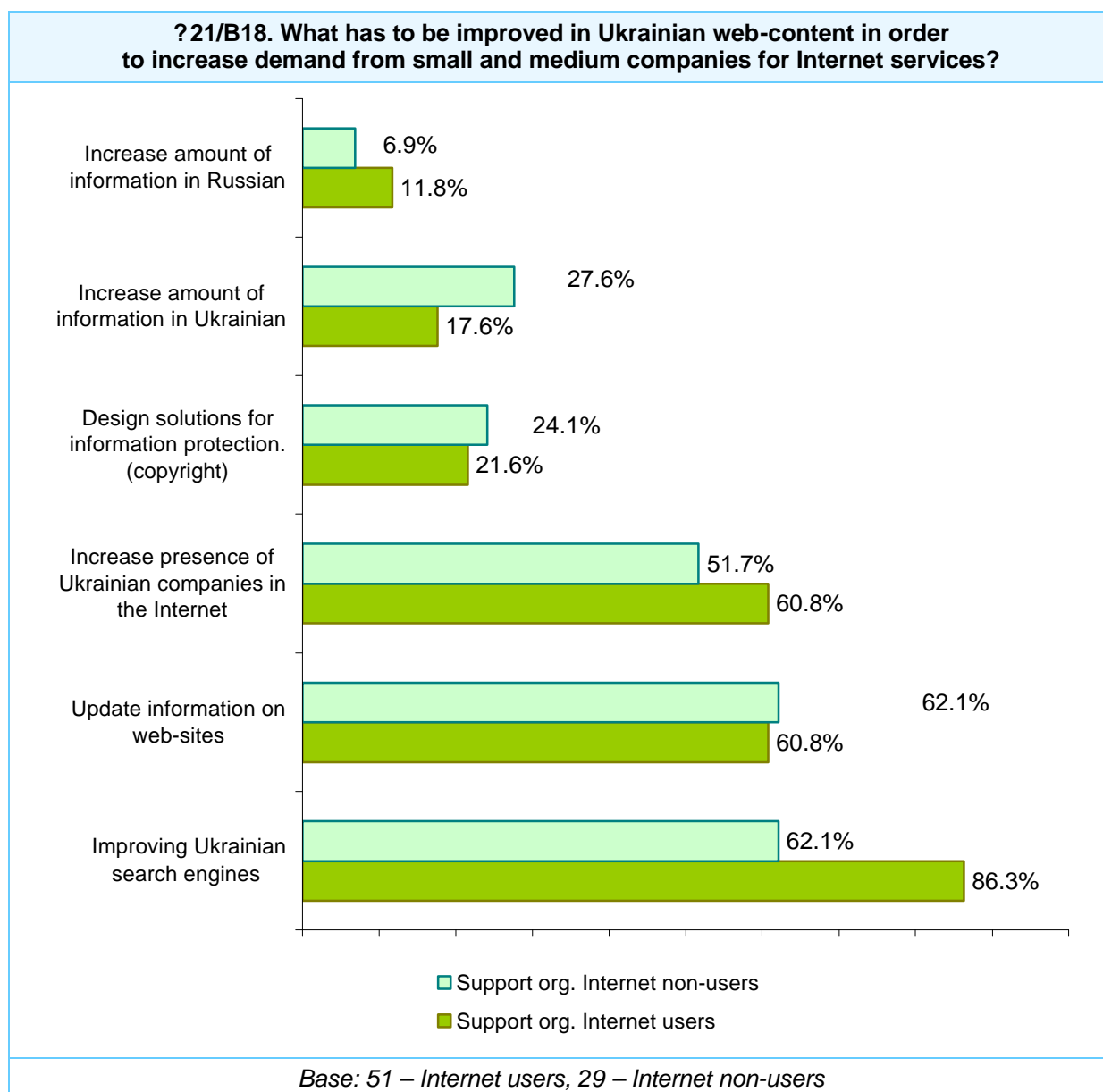
To increase SME demand for Internet services

Support Organizations believe that SME demand for Internet services can be increased.

- Support Organization Internet users believe the best ways for this are to develop such Internet services as e-commerce (51.0%), Internet advertising (45.1%) and IP telephony (39.2%) /? 20/
- Support Organization Internet non-users believe the best ways are to further develop Internet advertising (52.1%), IP telephony (41.7%) and banking operations through the Internet (34.5%)

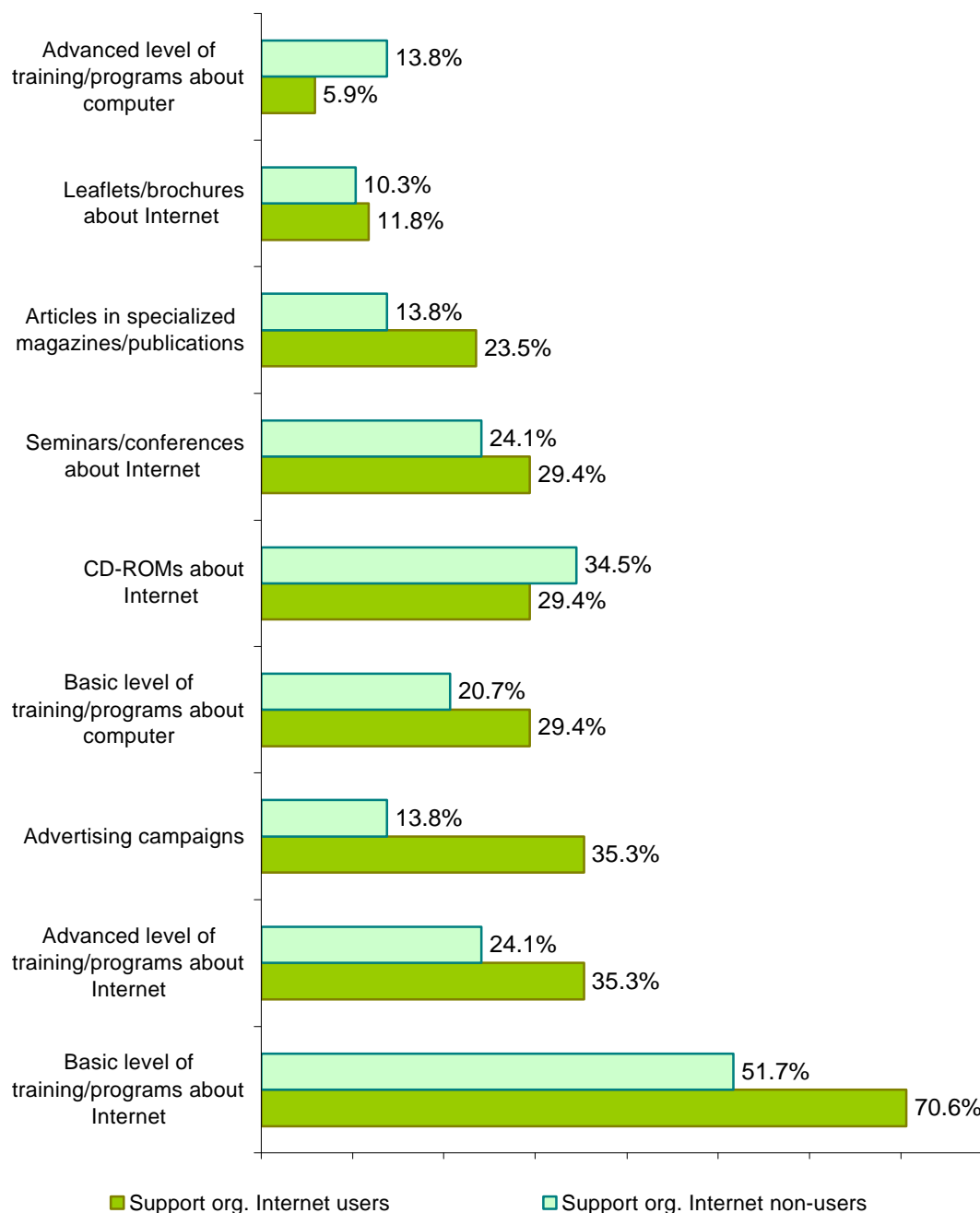


- Support Organization Internet users as well as non-users believe that web content improvements can also increase SME demand for Internet services. Key to this are improving Ukrainian search engines, updating information on web sites, and increasing the presence of Ukrainian companies on the Internet /? 21/.



- Support Organization Internet users as well as non-users believe that basic Internet training programs would best assist SMEs to use more web-content /? 22, B19/. Support Organization Internet users also believe that advanced Internet training and advertising campaigns would also assist SMEs in their use of web content /? 22/. Support Organization Internet non-users put more faith in CD-ROMs, seminars and conferences, and advanced Internet training /B19/

? 22 (B19). What would assist small and medium size companies to use more web-content?

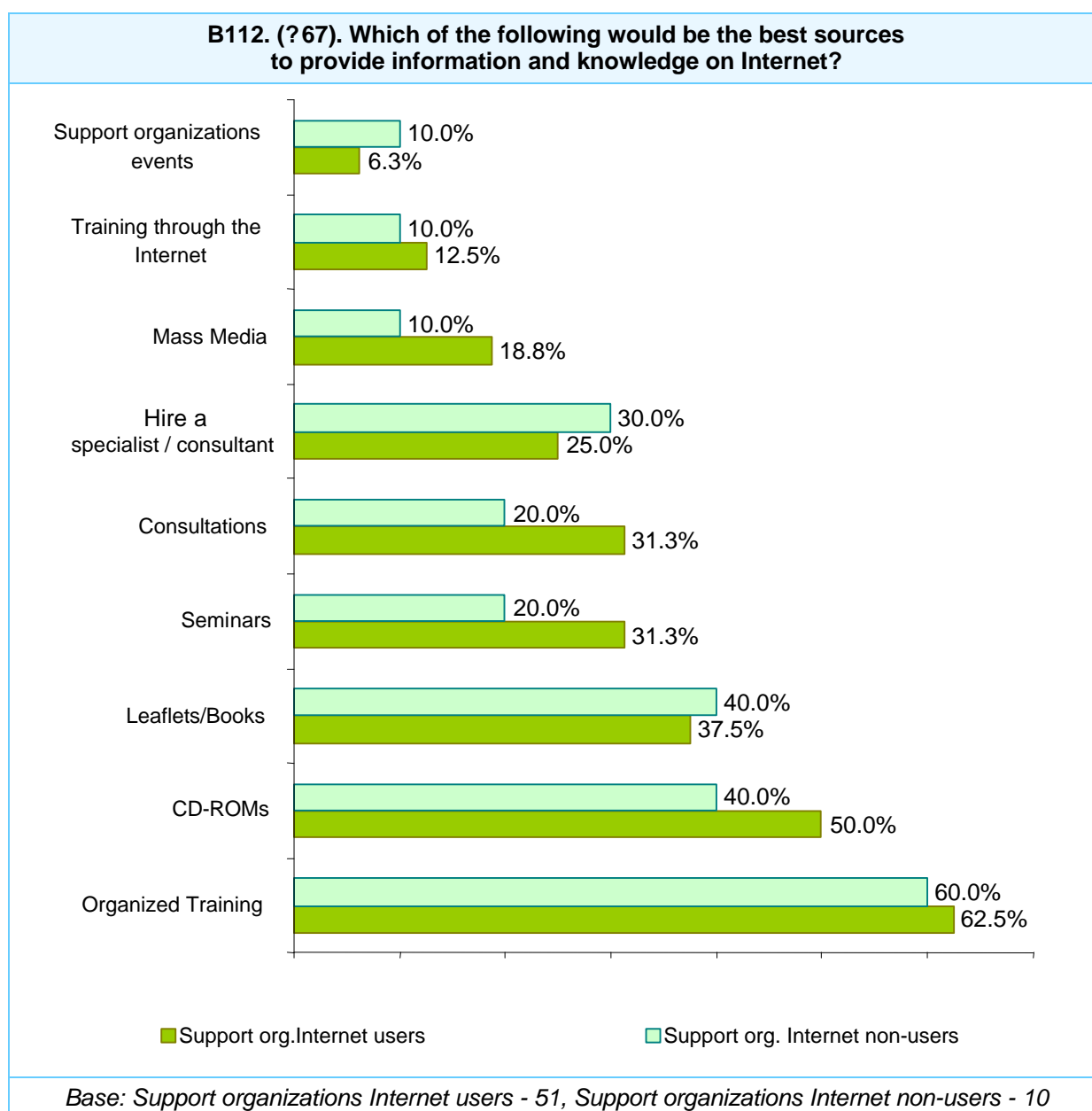


Base: 51 – Internet users, 29 – Internet non-users

Sources of information about the Internet

- Most Support Organization Internet users (82.4%) /? 115/ as well as non-users (60.0%) know where they can get information about Internet basics and Internet use in business applications. /B70/

Support Organization Internet users consider the best sources of information as organized training (62.5%) and CD-ROMs (50.0%). Support Organization Internet non-users consider organized training (60.0%), leaflets/brochures/books (40.0%), CD-ROMs (40.0%) and specialists (30.0%) as preferred sources of information /? 112, B67/.



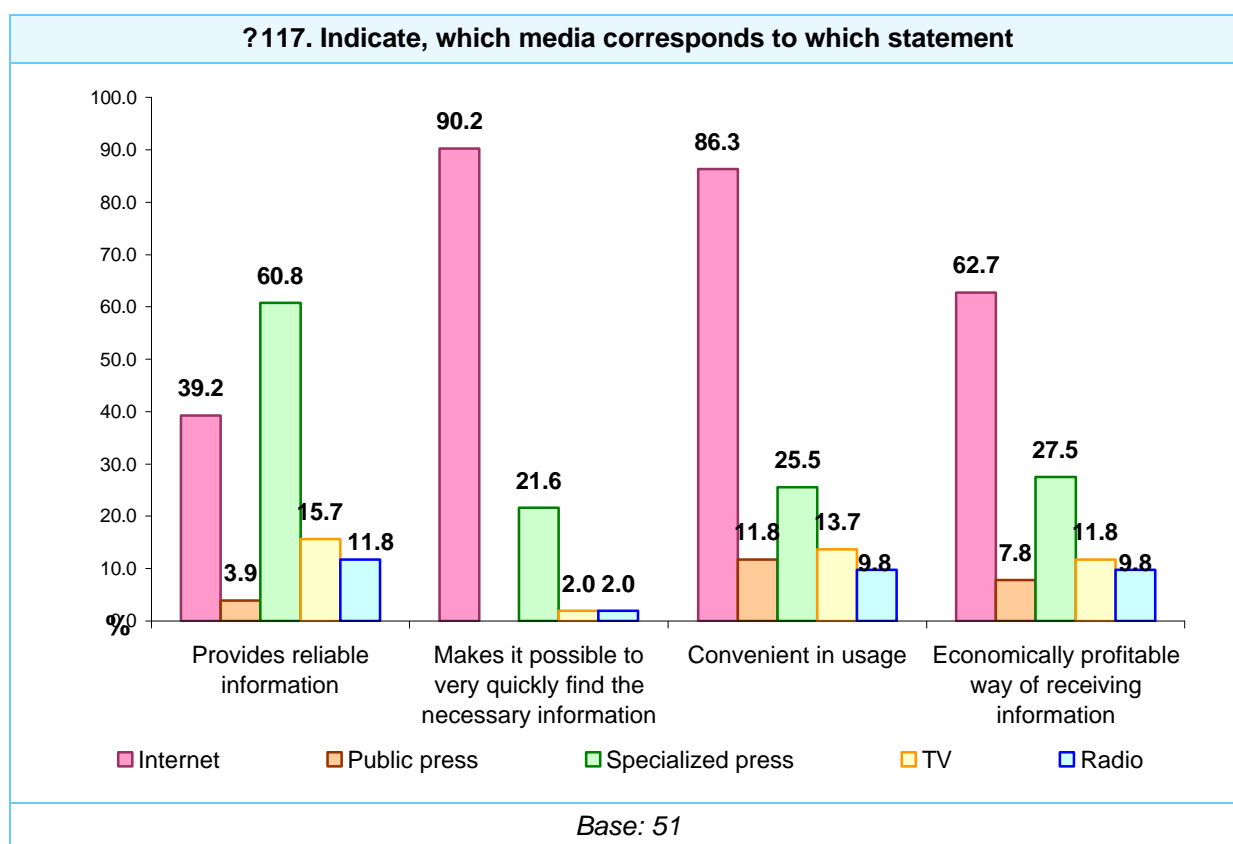
Willingness to pay for information

- Most Support Organization Internet users surveyed (up to 90.9%) are willing to pay for leaflets / books and CD ROMs concerning general awareness about the Internet. Up to 80% of such organizations are willing to pay for presentations and leaflets and books on Internet basics and for seminars about business applications of the Internet. /B114/

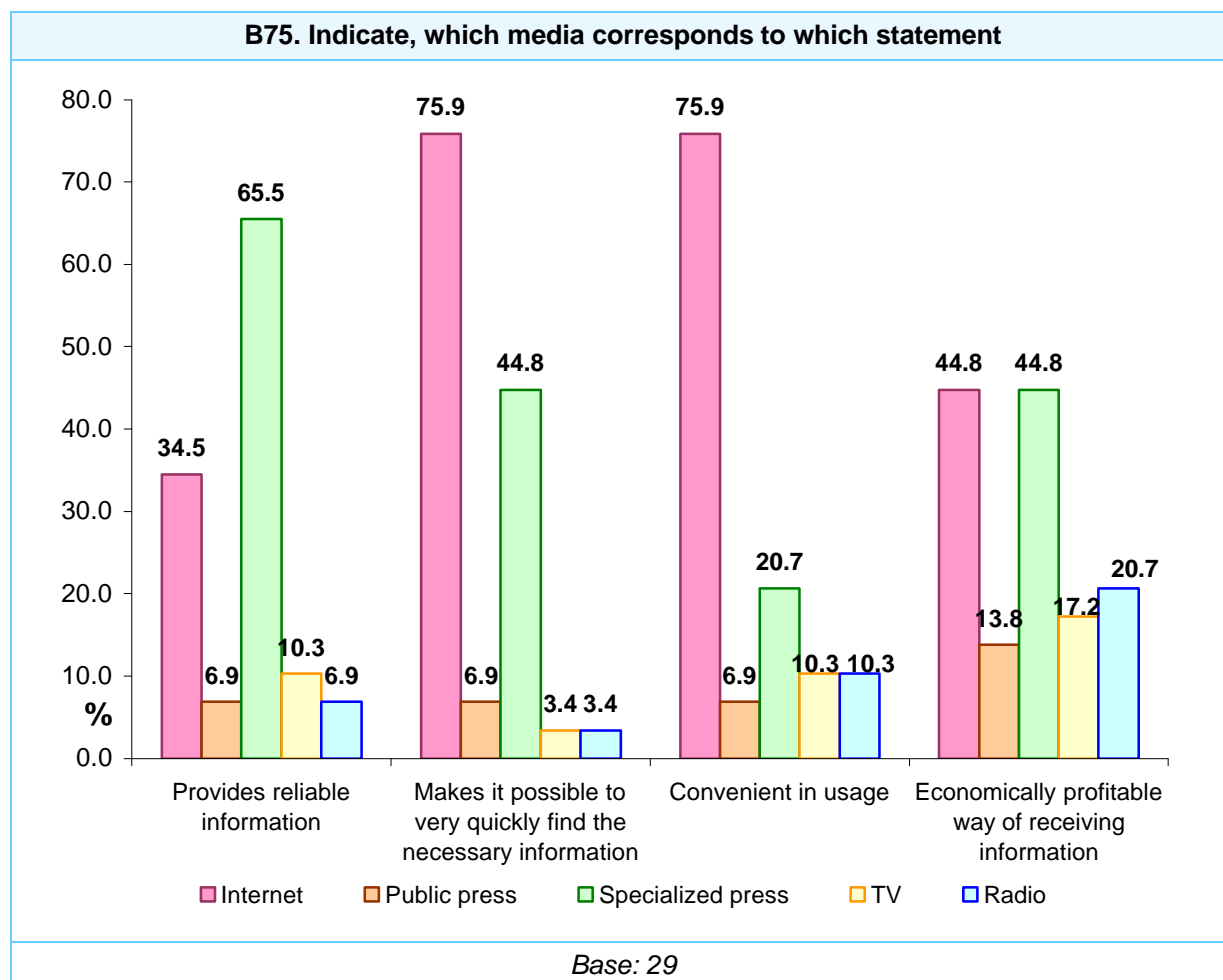
- 50% of Support Organization Internet non-users are willing to pay for organized training /? 67, B69/. Most preferred is organized training about how to use the Internet for business purposes and about Internet basics.

Attitude to the sources of information

- Support Organization Internet users evaluated the Internet as the best source for fast, convenient and economical information. However, information from the specialized press is considered more reliable than from Internet sources. Information from the specialized press, at the same time, is not considered as favorable as from the Internet in all other respects. Public press, radio, and television are not favored sources of information, compared with the Internet. /? 117/.



- Support Organization Internet non-users found the Internet as the best source for fast and convenient information. Both the Internet and specialized press were believed to provide equally economical information. Support Organization Internet non-users believe that information from the specialized press to be twice as reliable as information from the Internet /? 75/.



PUBLIC FACILITIES

Profile of Public Facilities

- The majority of surveyed public facilities that provide Internet access are Internet cafes (60%). The remainder are Support Organizations (Internet clubs, business centers and training centers) /B3/.
- The majority of public facilities are self-supporting organizations.
- 100% of public facilities have private ownership /B2/.
- Public facilities are mainly small organizations (with up to 50 employees).

What type of organization do you have? (%)	
Internet Café	60
Internet Club	28
Business center	8
Training center	4
Is your organization any of the following? (%)	
Self supporting	80
Has domestic support	20
Is your organization a member of any business associations or unions? (%)	
No	92
Yes	8
How many employees has your organization? (%)	
up to 5 employees	40
6-50 employees	60

- Support Organizations: All support organizations provide Internet services, as well as training (50%) and information services (50%) /B4/. Internet services are the main focus of business for the majority of support organizations surveyed (60%) /B5/. The majority of support organizations (80%) are also self-supporting /B6/.
- 64% of public facilities have been on the market for one year /B8/. The majority of public facilities are single offices (84%)

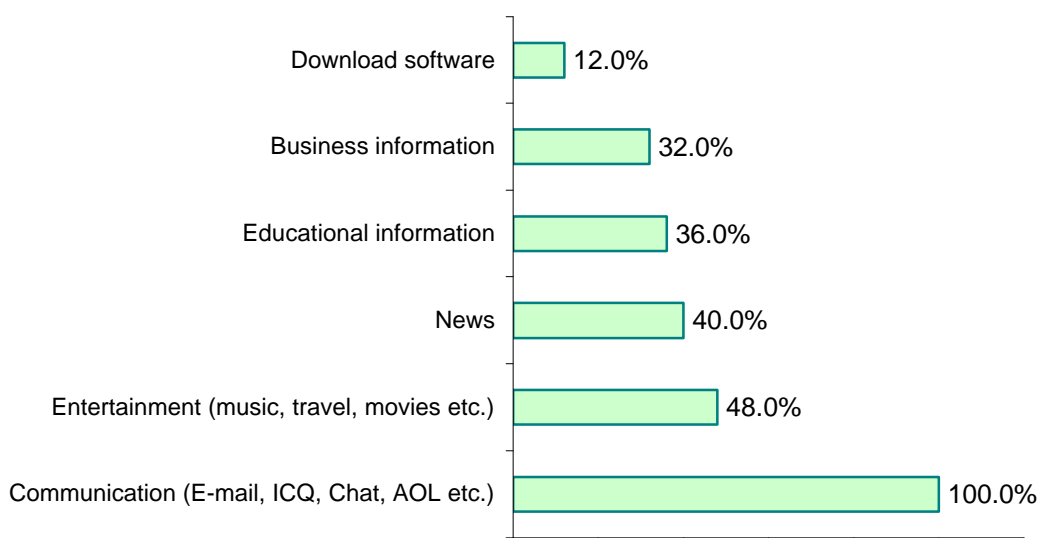
/B10/, and are not members of any business associations (92%) /B12/.

- Most public facilities do not have problems recruiting technical staff (84%) /B16/. Those with problems have mentioned low level of qualifications (100%) and the absence of technical specialists (50%) /B17/.
- The majority of public facilities (60%) stated that legislation significantly regulates their activity. 48% of public facilities identified taxation, and 36% mentioned central and local government inspections as regulatory factors affecting their business /B18/.
- The majority of public facilities (76%) have up to 20 computers, which are used by clients /B14/. 84% of public facilities have up to 10 employees /B15/.
- 80% of public facilities provide Internet access by leased line and 24% by dial-up /B48a/.

Services provided

- All Internet cafes provide Internet services (it's the main services that are used by clients), cafes services, computer games and printing documents. 93.3% of Internet cafes provide computer time for work /B19, B21/. All other surveyed support organizations also provide Internet services /B23/.
- Training programs are provided by 20% of Internet cafes and by 30% of support organizations /B19, B23/.
- The most widespread type of training provided by support organizations is the basic level of Internet training (88.9%) /B26/.
- Besides Internet services, clients of support organizations use computers for games, training skills, scanning and printing documents (20%-30%) /B24/.
- The Internet is used, on average, by 45.5 % of the total client base of support organizations /B25/.
- Most often clients use the Internet for communications (E-mail, chat, ICQ, AOL, etc.) /B27/.

B27. What do customers usually surf the Internet for?



Base: 25

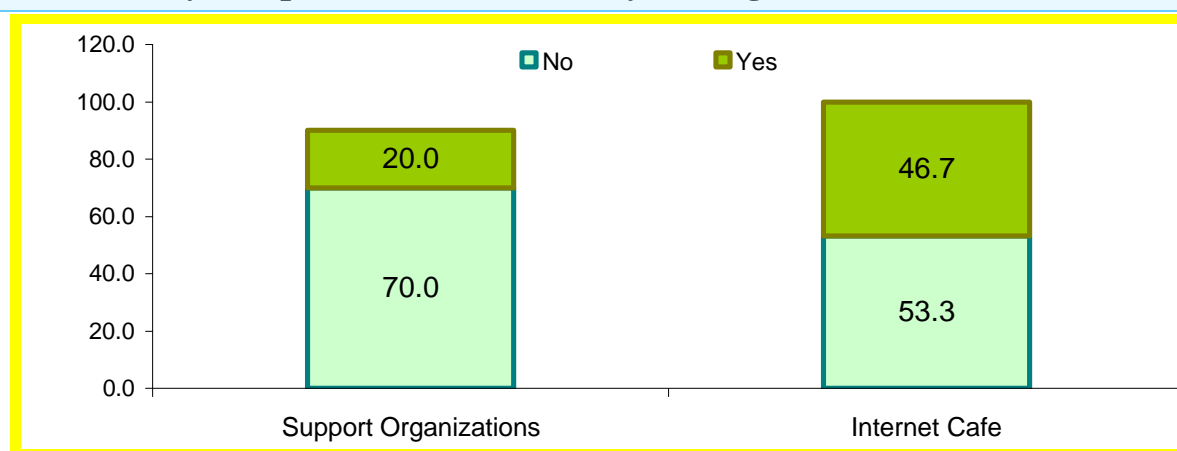
Clients description

- Public facility clients tend to be in the 16-22 age group (35.8%), college students (44.0%), and school students (32.4%) /**B32, B35**/. On average, 43.8% of public facility clients are loyal. /**B33**/.
- 36% of public facility clients are corporate and 64% are individuals. Public facilities are mainly oriented towards individuals /**B38, B36**/. SMEs are estimated to be 16.2% of the total client base of public facilities /**B39**/, and account for 14% of total financial turnover /**B40**/.
- Public facility managers believe that SMEs seldom frequent public facilities because it is more profitable for SMEs to access the Internet at their workplaces.
- Charges for computer rental and Internet access are higher at support organizations than at Internet cafes /**B28, B29**/.

	? 28. How much does it cost to rent computer time for your clients (hr/hour)	? 29. How much does Internet access cost (hr./ hour)
Support Organizations	2.8	4.7
Internet Café	2.7	2.7
Public Facilities (Total)	2.8	4.1

- Individual and corporate clients visit Internet cafes in approximately equal proportions (46.7% and 53.3% respectively) /B36/. However, Internet cafes believe that individuals are their main customers (85.7%) /B38/.

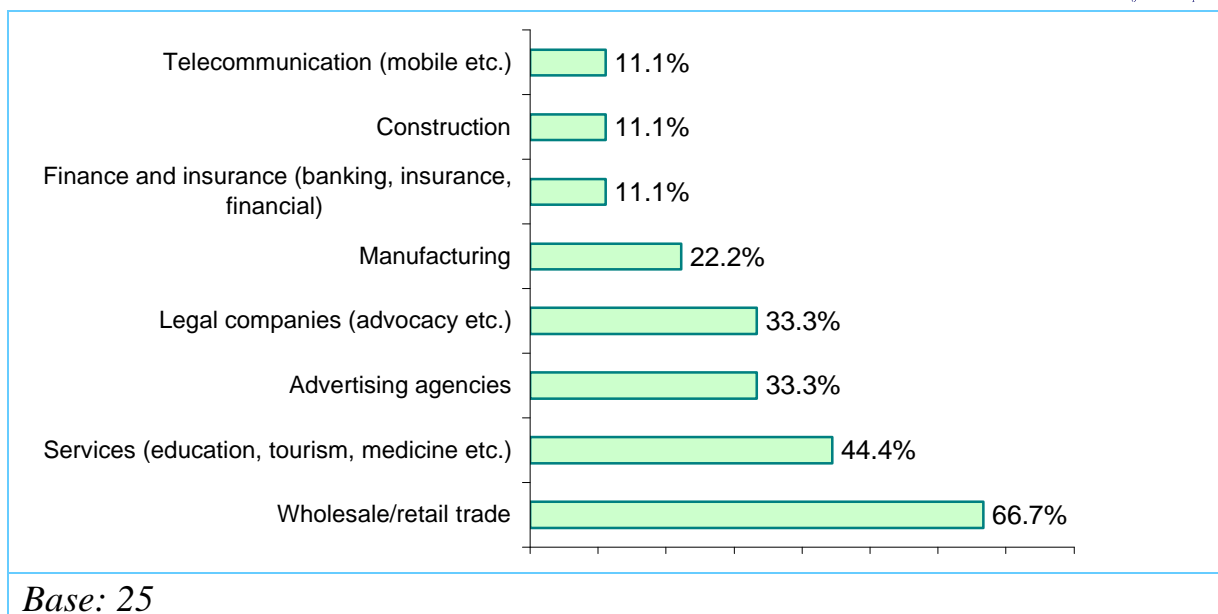
? 36. Do any companies use services of your organization?



Base: Internet cafe- 15, Support Organizations – 10

- Two-thirds of the SME clients of public facilities are involved in wholesale or retail trade (66.7%) /B41/.

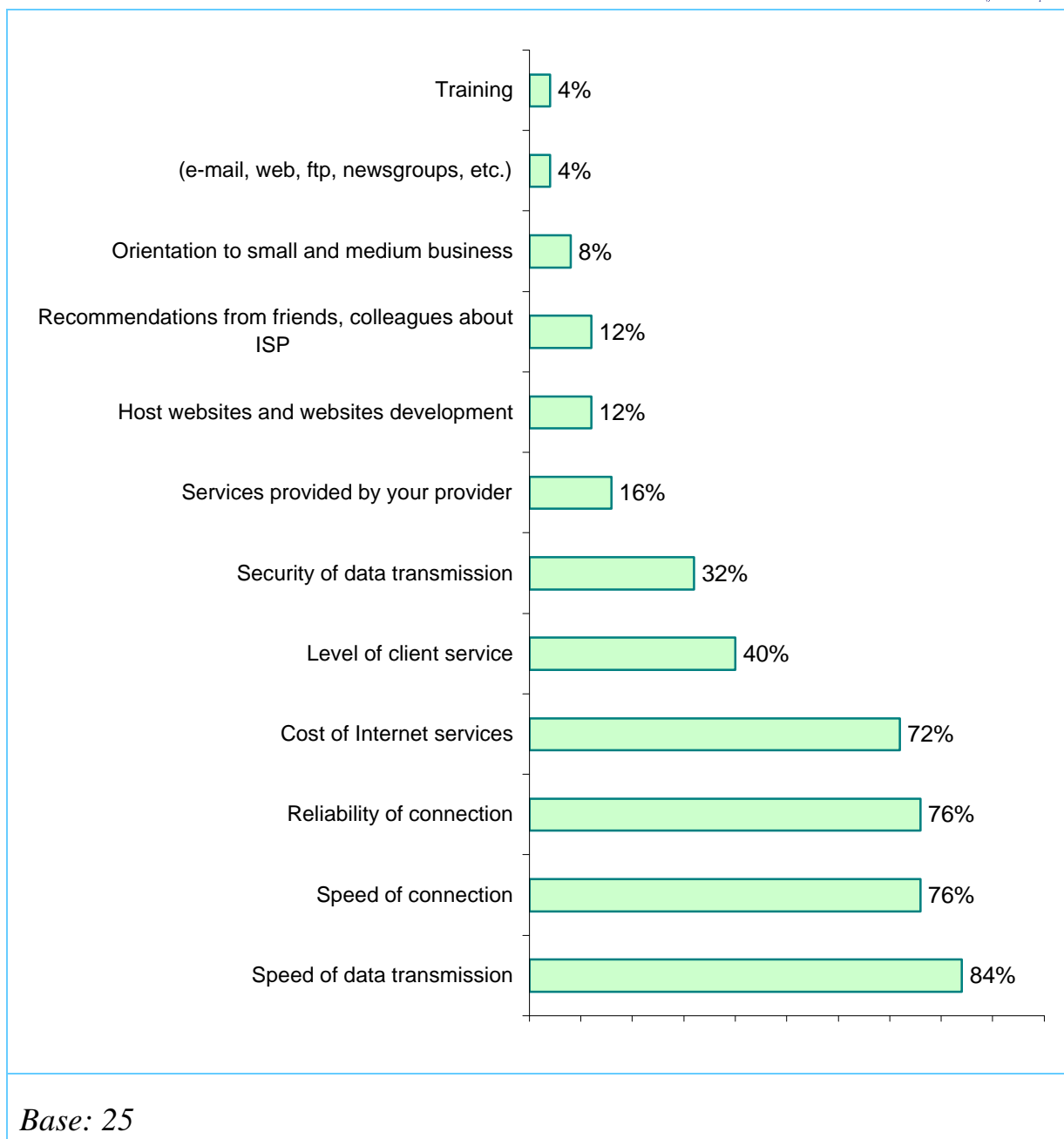
B41. To what sphere of activity does small and medium companies which use services from your company mainly belong?



Importance of Internet characteristics

- The most important characteristics of Internet services for public facilities are speed of data transmission, speed of connection, reliability of connection and cost of Internet services. This profile is similar in both large as well as small cities /B53/.

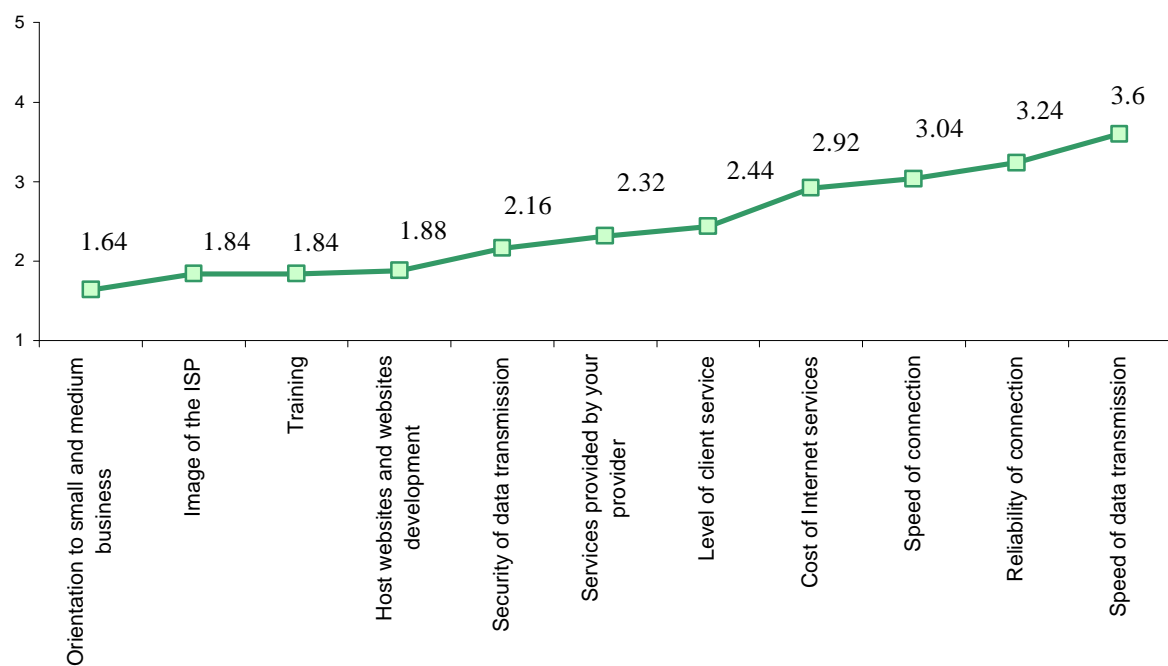
B53. Which characteristics of Internet services are important for your organization?



Quality of services provided for public facilities

- The majority of public facilities evaluated the quality of Internet services provided to them as good and very good (60%) **/B50/**. Prices for Internet were evaluated as acceptable (72.0%) **/B51/**.
- Most of all public facilities are satisfied with speed of data transmission. Public facilities are least satisfied with the small business orientation of Internet Service Providers. These views are similar for public facilities in large and small cities. **/B54/**

B54. How are you satisfied with the following parameters of Internet services you use
(1-unsatisfied, 5 - satisfied)

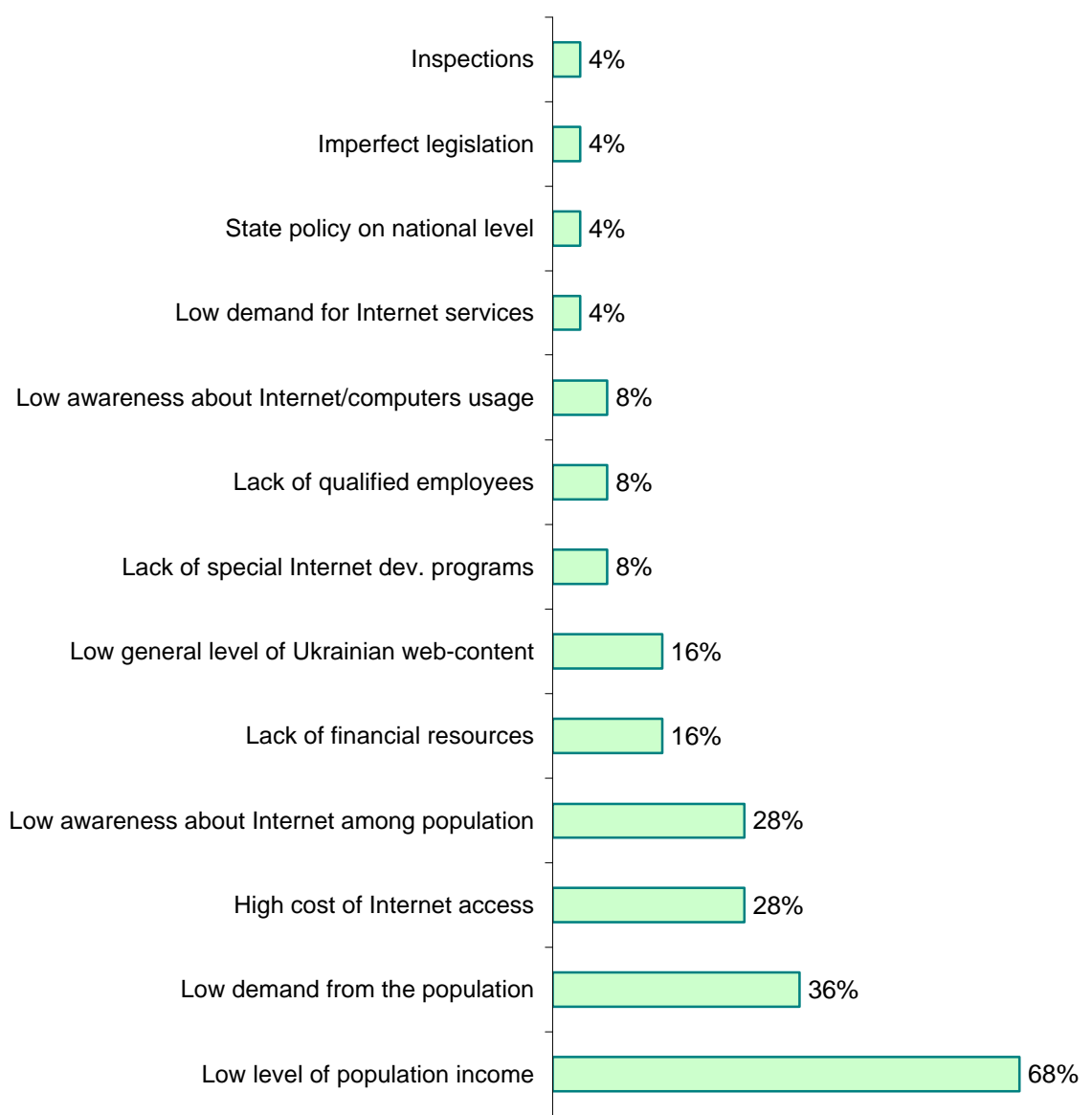


Base: 25

Factors influencing Public facilities

- Public facilities believe that low income levels are the greatest obstacle they face (68.0%) /B65/.

B65. Which factors pose as obstacles for your organization using the Internet?

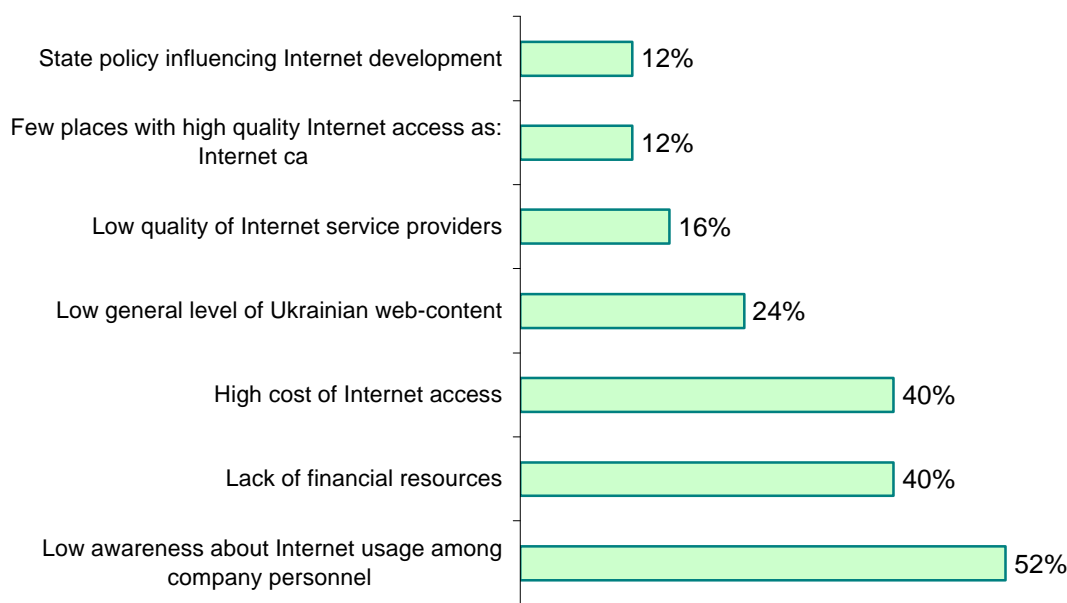


Base: 25

Factors influencing SMEs Internet use

- According to public facilities, the main factors which influence use of Internet services by SMEs are: low awareness about Internet among personnel of companies (52.0%), lack of financial resources (40%) and high cost of Internet access (40%) /B66/.

B66. What are the most important obstacles for SMEs to use the Internet?

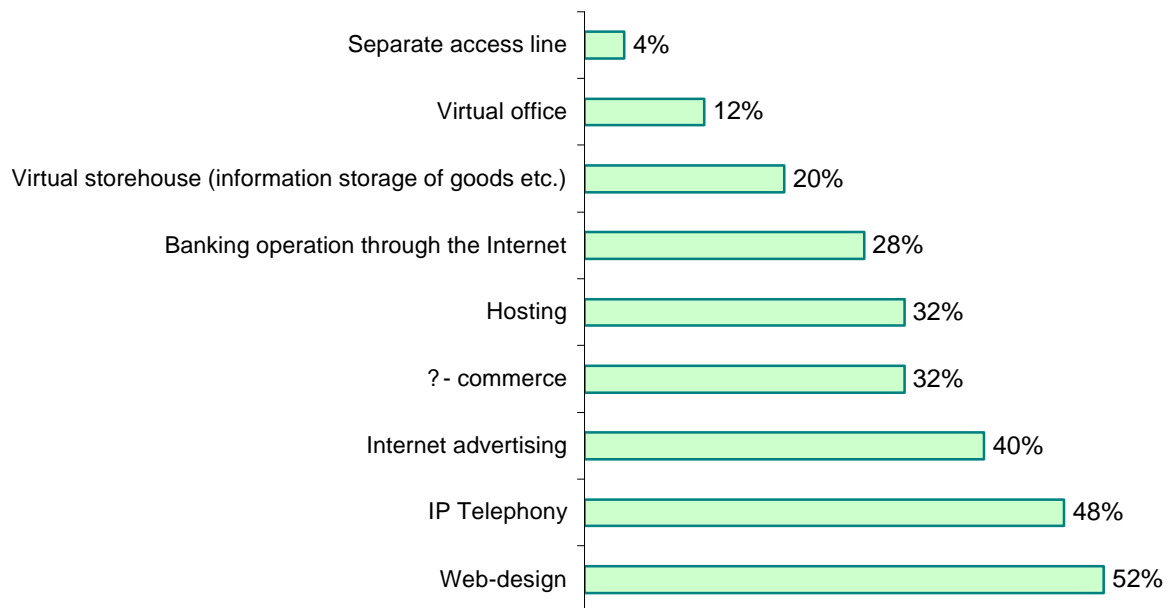


Base: 25

To increase SMEs demand for Internet services:

- Public facilities believe the most effective way for them to increase their client base (SMEs and others) is to offer discounts /B43, B44/. In addition, public facilities believe that SME demand for Internet services can be increased with:
 1. More web design services (52.0%) and IP telephony (48.0%) /B46/;

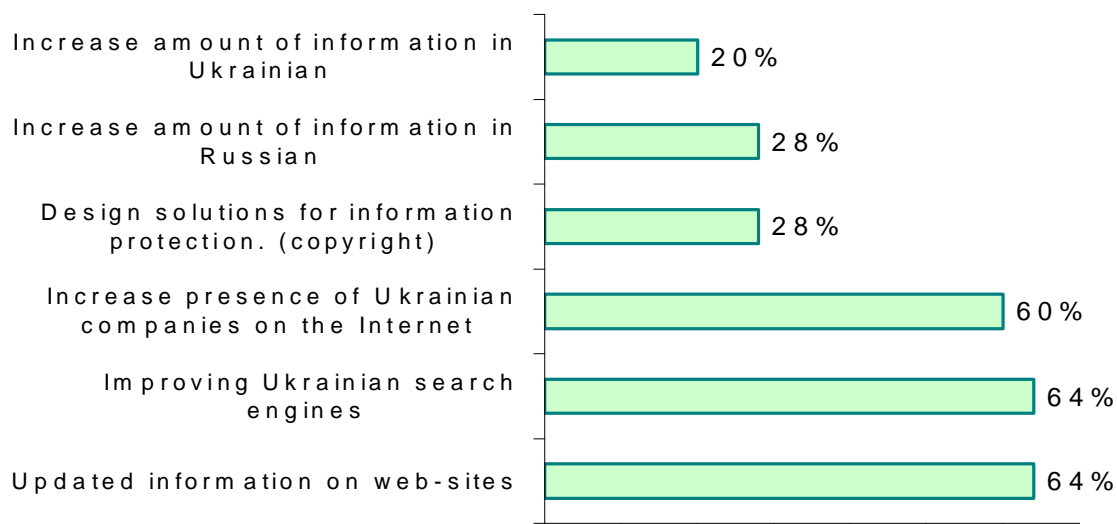
B46. What services have to be developed first, in order to increase demand from small and medium companies for Internet services?



Base: 25

2. Updated web sites (64%) and improved Ukrainian search engines (64%) /**B47**/;

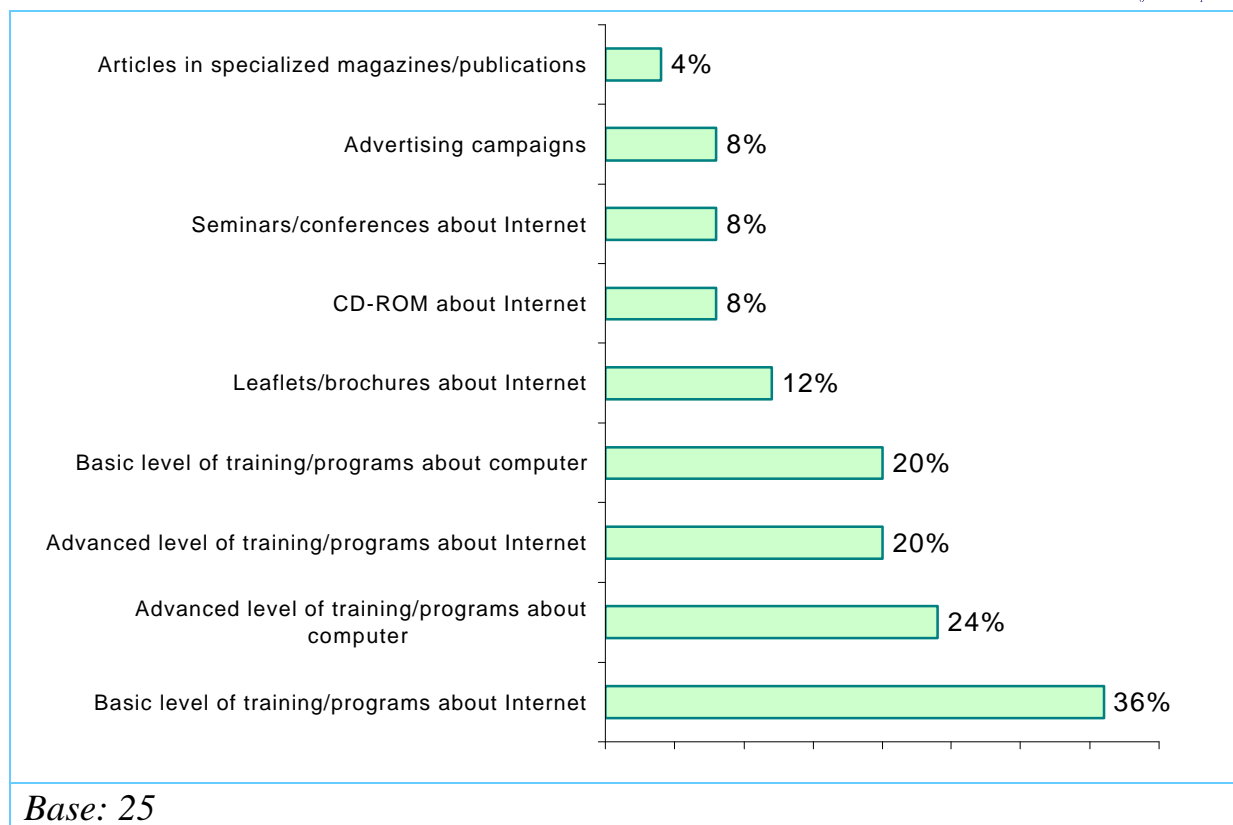
B47. What has to be improved in Ukrainian web-content in order to increase Internet demand from small and medium companies?



Base: 25

3. Basic Internet training programs (36.0%) /**B48**/.

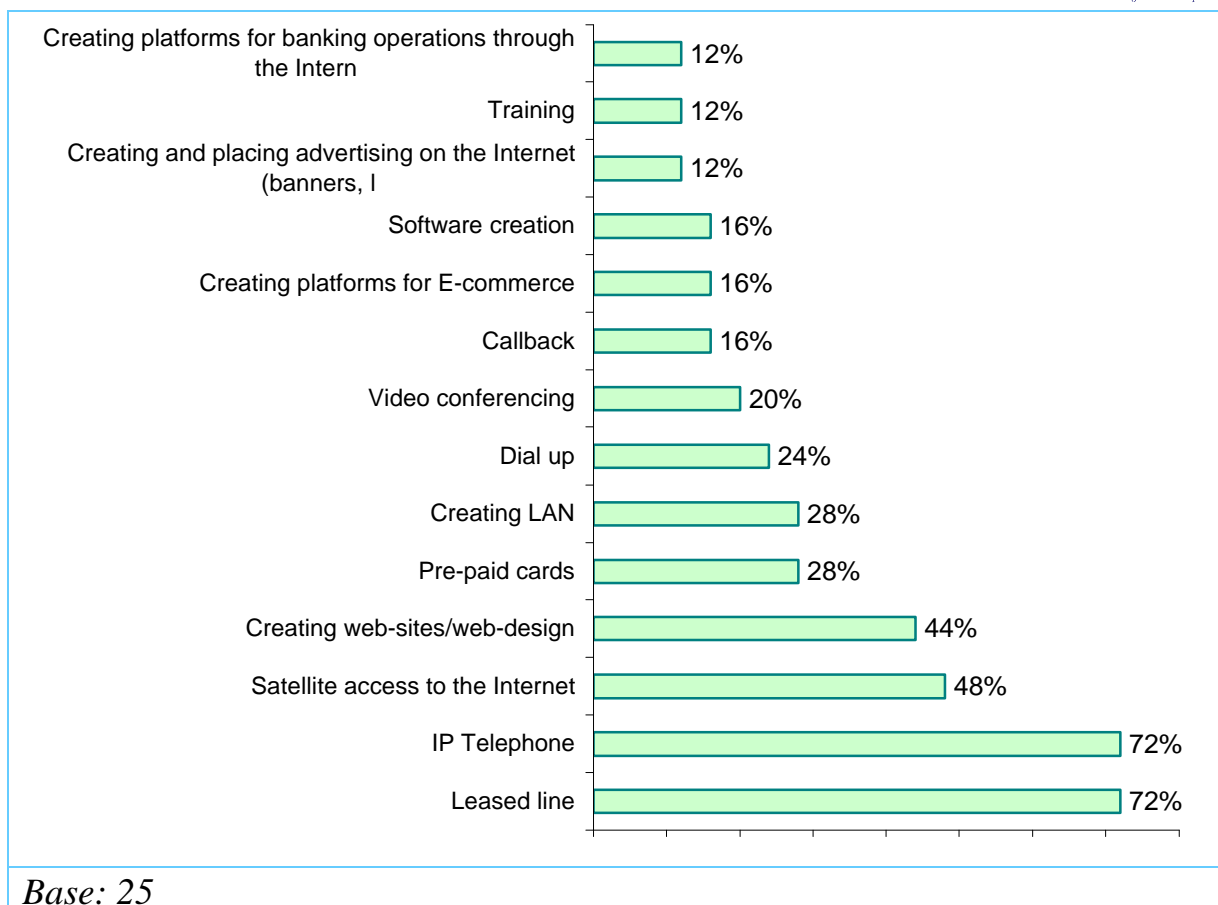
B48. What would assist small and medium size companies to use more web-content?



Prospective Internet services

- Public facilities believe that leased line access (72.0%) and IP telephony (72.0%) are the most prospective Internet services for the next two years /B61/.

B61. Which of the following services do you consider to be the most prospective on the Ukrainian market in the next two years?

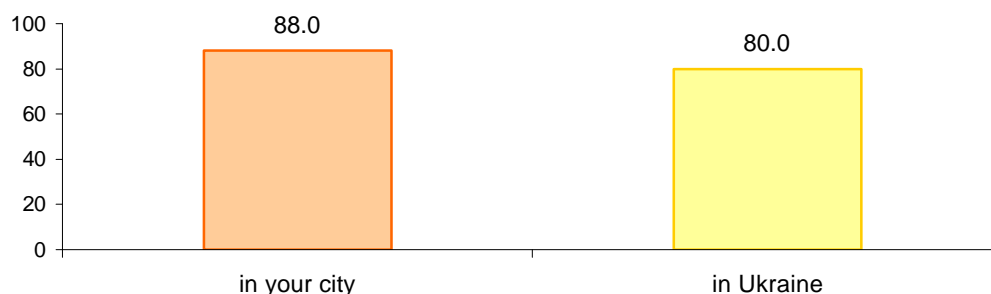


- 60% of public facilities consider providing Internet services as profitable for them **/B56/**. The same share of public facilities plan to expand their business **/B57/** by increasing the number of services provided **/B58/**.
- More than 80% of public facilities believe that the Internet will grow dynamically in their city and throughout Ukraine in next two years **/B59, B60/**.

Will Internet dynamically grow in the next two years?

B59 - in your city

B60 - in Ukraine



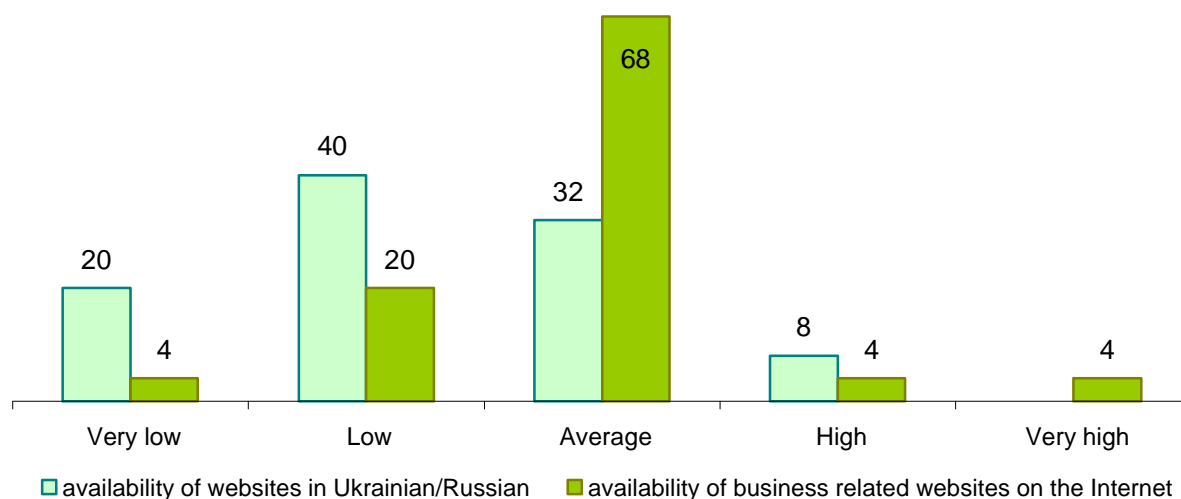
Base: 25

- According to public facilities, nowadays the share of SMEs among total Internet users is about 39-40% in Ukraine **/B67/**. The share of SME users in Ukraine will increase a bit during the next two years, to about 43%, but the SME share will remain lower than other users **/B68/**. Public facilities do not consider SMEs to be their main business market.

Level of web-sites

- 92% of public facilities believe that business-oriented sites on the Internet need to be broadened, as well as sites in Russian and Ukrainian /B62, B63/.

? 62. What is the availability of business related websites on the Internet? ? 63. What is the availability of websites in Ukrainian/Russian?

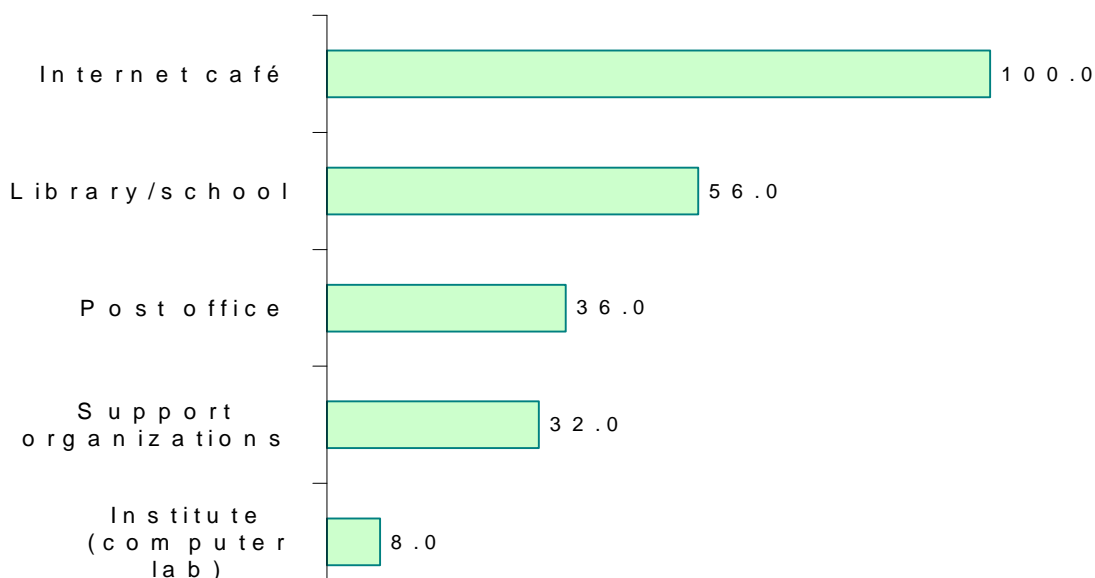


Base: 25

Variations

- Internet cafes were pointed out as places for Internet access by 100% of public facility respondents. Many respondents (56%) pointed out schools and libraries.

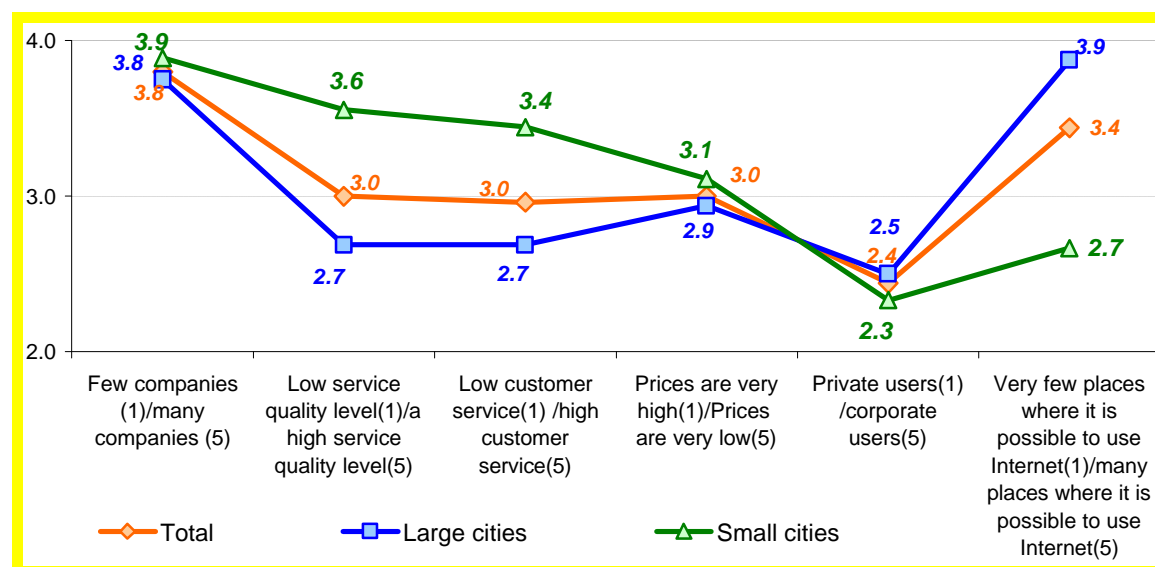
? 69. What public facilities for surfing Internet are present in your city?



Base: 25

- Public facilities in small cities believe that their level of Internet service quality and customer service are higher than found in larger cities. Public facilities recognize that there are more options for Internet access in large cities than small cities.

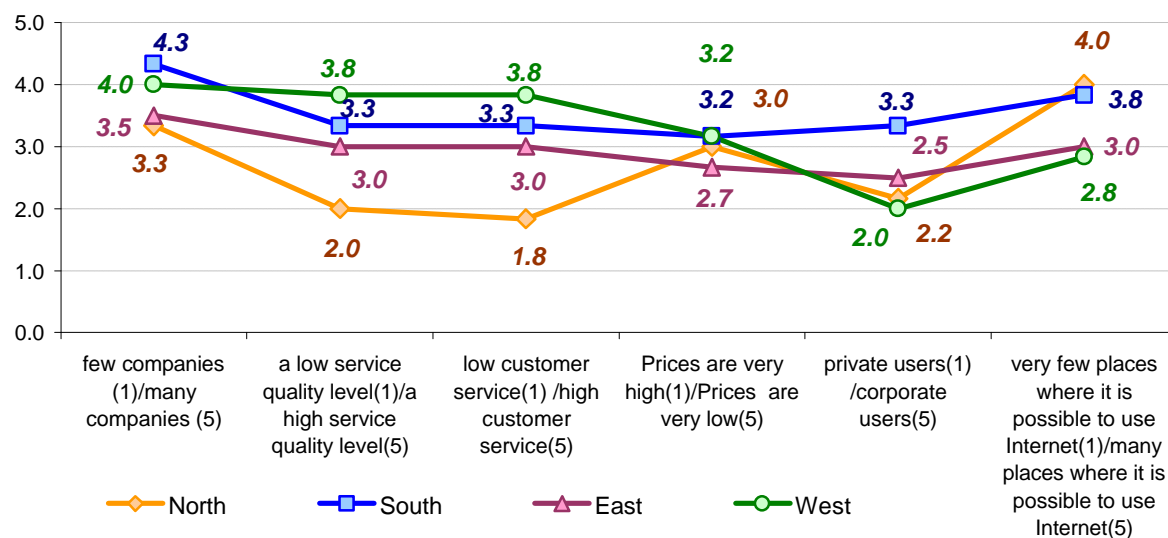
? 52. Which of the characteristics best of all reflect the level of Internet services providing in your city



Base: Small cities – 9, Large cities – 16

- Public facilities in western Ukraine believe that they have better Internet service quality and better customer services than experienced in the northern Ukraine. Public facilities see more alternatives for Internet access in northern and southern Ukraine than in other regions.

? 52. Which of the characteristics best of all reflect the level of Internet services providing in your city



Base*: 25: North – 6, South – 6, East – 6, West – 6
 * Center was not included to the chart due to small sample.

INTERNET SERVICE PROVIDERS (ISPs)

Profile of ISPs

- 91.7% of ISPs surveyed are owned as private companies. The remainder is joint enterprises. /B4/
- One out of four surveyed ISPs are members of a business association or union. Of those belonging, two-thirds are members of the Association of Internet Market Participants (AURIU) and the Ukrainian Internet Association (INAU). One-third belongs to the Association of Users of Computer Networks.
- The majority of ISPs surveyed have up to ten employees (66.75%).

? 5. Is your company a member of any business associations or unions?(%)	
No	75
Yes	25
? 23 How many employees work in your company (Total number of employees)?(%)	
Up to 10	66,7
11 and more	33,3

BASE: 12

- All surveyed ISPs offer dial-up and leased line access to the Internet, and domain registration. Other significant services offered are web-site design (91.7%), web hosting (91.7%) and establishing local area networks (LANs) (83.3%) /? 7/.
However, 91.7% and 75% of the surveyed ISPs consider dial-up and leased line services, respectively, to be their main and most profitable business /B8/.

? 8. What are the main services for your company? (%)	
Dial-up	91,7
Leased line	75,0
Satellite access to the Internet	16,7
Hosting	16,7
Creating web-sites/web-design	16,7
Difficult to answer	8,3
Pre-paid cards	8,3
Collocation	8,3
Providing IP addresses	8,3
Creating LAN	8,3
Provide access channels to other providers	8,3
Training	8,3
Pre-paid services for anonymous access	8,3

Base: 12

- Dial-up and leased line services are also considered by ISPs to be the most promising business activities for the next two years. Other promising business services include: creating web-sites/web-design, collocation (servers location) and satellite access to the Internet. /? 9/

B9. Which of the following services do you consider to be the most prospective on the Ukrainian market in the next two years? (%)	
Leased line	58,3
Dial up	41,7
Creating web-sites/web-design	33,3
Collocation (servers location)	25,0
Satellite access to the Internet	25,0
Callback	16,7
Pre-paid cards	16,7
IP Telephone	16,7
Creating LAN	16,7
Content projects	16,7
Creating platforms for E-commerce	16,7
Creating platforms for banking operations through the Internet	16,7

BASE: 12

ISPs and Public facilities

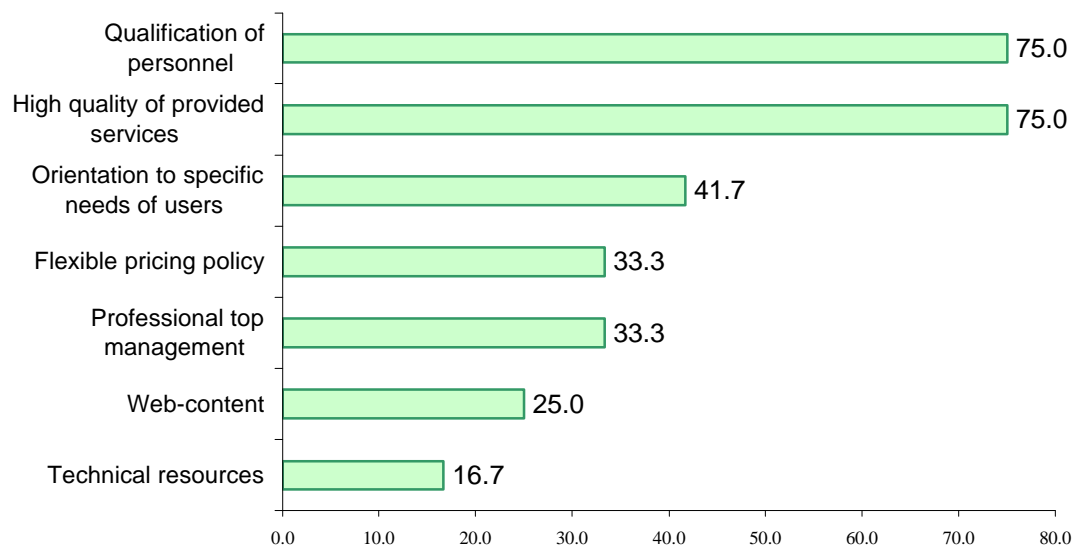
- The majority of ISPs provide their access channels to such places as: schools, post-offices, libraries; Internet cafes; and support organizations.
- ISPs provide public access most frequently through support organizations.

? 61. What places with access to the Internet does your company provide with channels (except offices and households)%?	
Schools, post-offices, libraries.	50,0
Internet cafe	50,0
Support organizations	41,7
? 62. How many of the mentioned organizations does company provide with Internet access? (Mean)	
Internet cafe	2
Support organizations	11
Schools, post-offices, libraries.	6,3

BASE:12

- According to ISPs, the two main strengths of their companies are qualification of personnel and high quality of provided services.

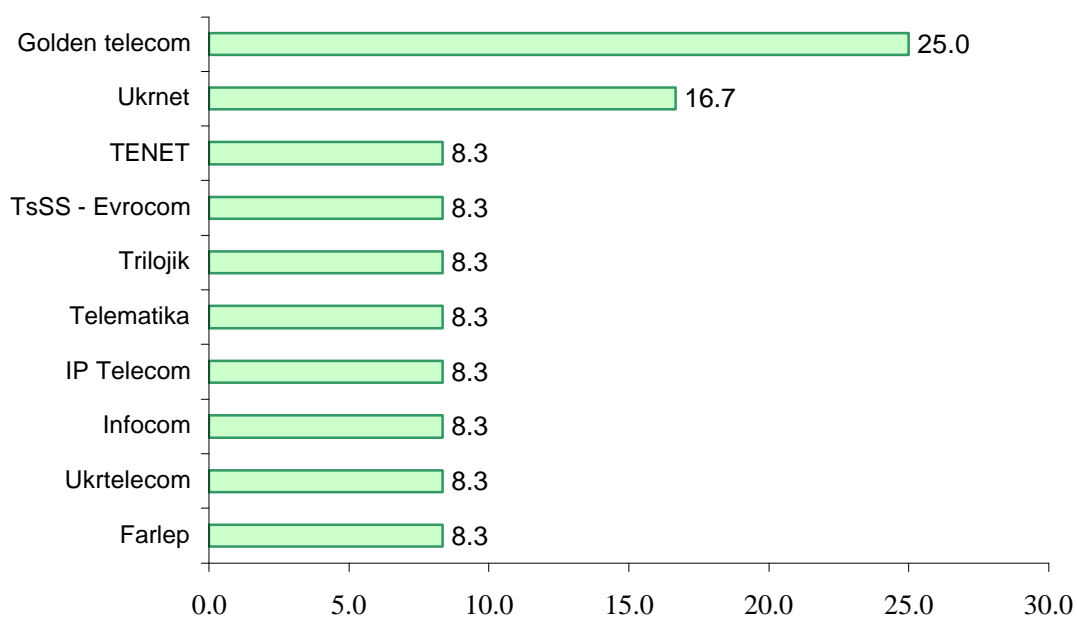
? 10. In your opinion what are the three main strengths of your company?



Base: 12

- The majority of ISPs consider their main competitors to be such Internet service providers as Golden Telecom (25.0%) and Ukrnet (16.7%). /? 11/

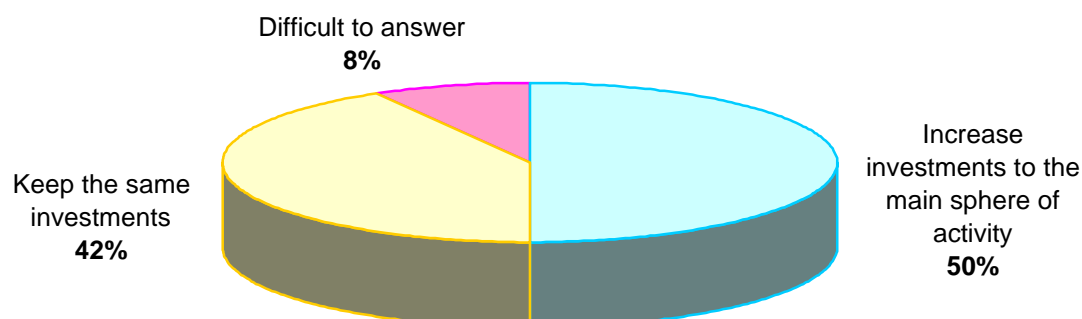
? 11. Which Internet providers do you consider to be your competitors?



Base: 12

- Half of surveyed ISPs intend to increase their investments in Internet services. 41.7% intend to maintain their investment levels in Internet services /? 12/.

? 12. What is your current market strategy?



Base: 12

External channels

- Most ISPs have 2-3 external channels including foreign channels.
- One quarter of ISPs have transit (through Ukrainian providers) access channels, one third of ISPs have direct (foreign) access channels.
- Currently, surveyed ISPs use 63.5% of transit external channels and 55% of direct external channels.
- The majority of ISPs plan to increase the number of access channels.

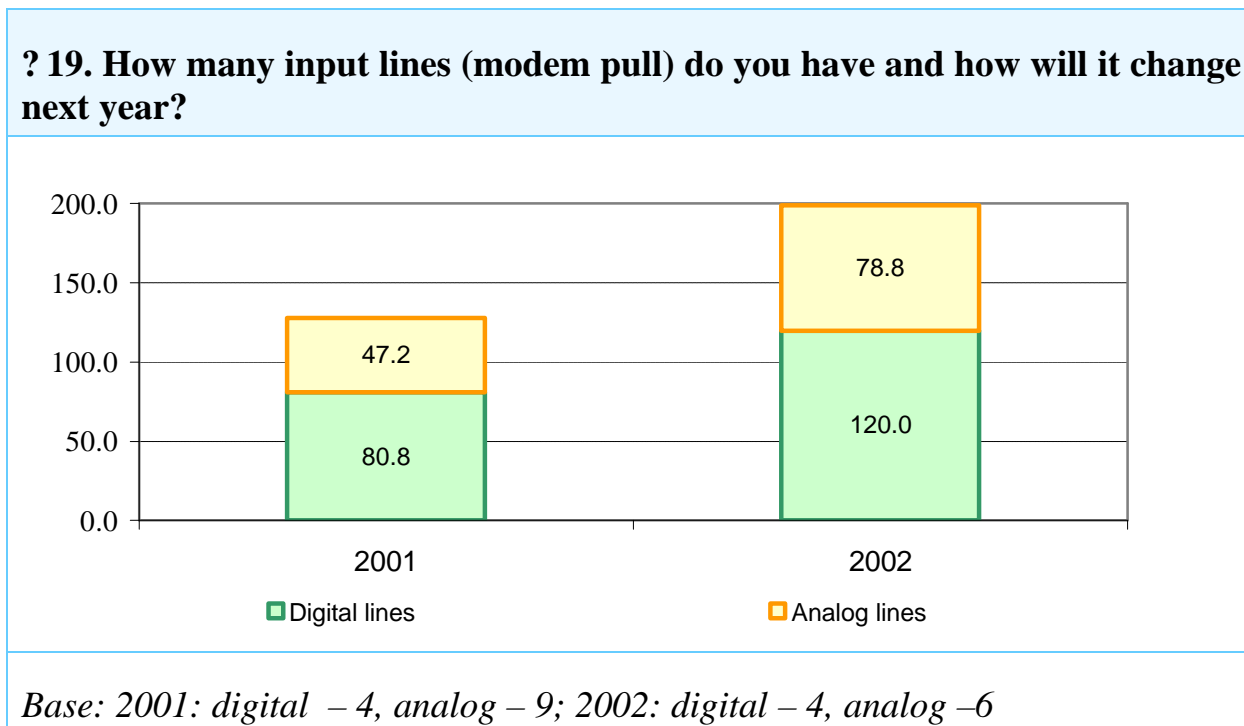
? 13. How many external channels does your company have to Internet including foreign channels? (%)		
1	8,3	
2	41,7	
3	33,3	
Difficult to answer	16,7	
? 14. What external channels to the Internet does your company have: direct / transit / paritet (if any)? (%)		
Transit (through Ukrainian providers)	75,0	
Direct (foreign)	33,3	
Paritet (including points of traffic exchange)	25,0	
Difficult to answer	8,3	
? 17. How much of your external channels are used (in percentage) ?		
	Direct	Transit
Mean	55	63,5

? 18. Does your company consider it necessary to increase the number of access channels to the Internet?(%)	
Yes	58,3
No	25,0
Difficult to answer	16,7

BASE: 12

Input lines

- ISPs anticipate that input lines will increase next year: in particular the number of digital lines will grow by 50% while the number of analog lines will increase by 67%. /? 19/.

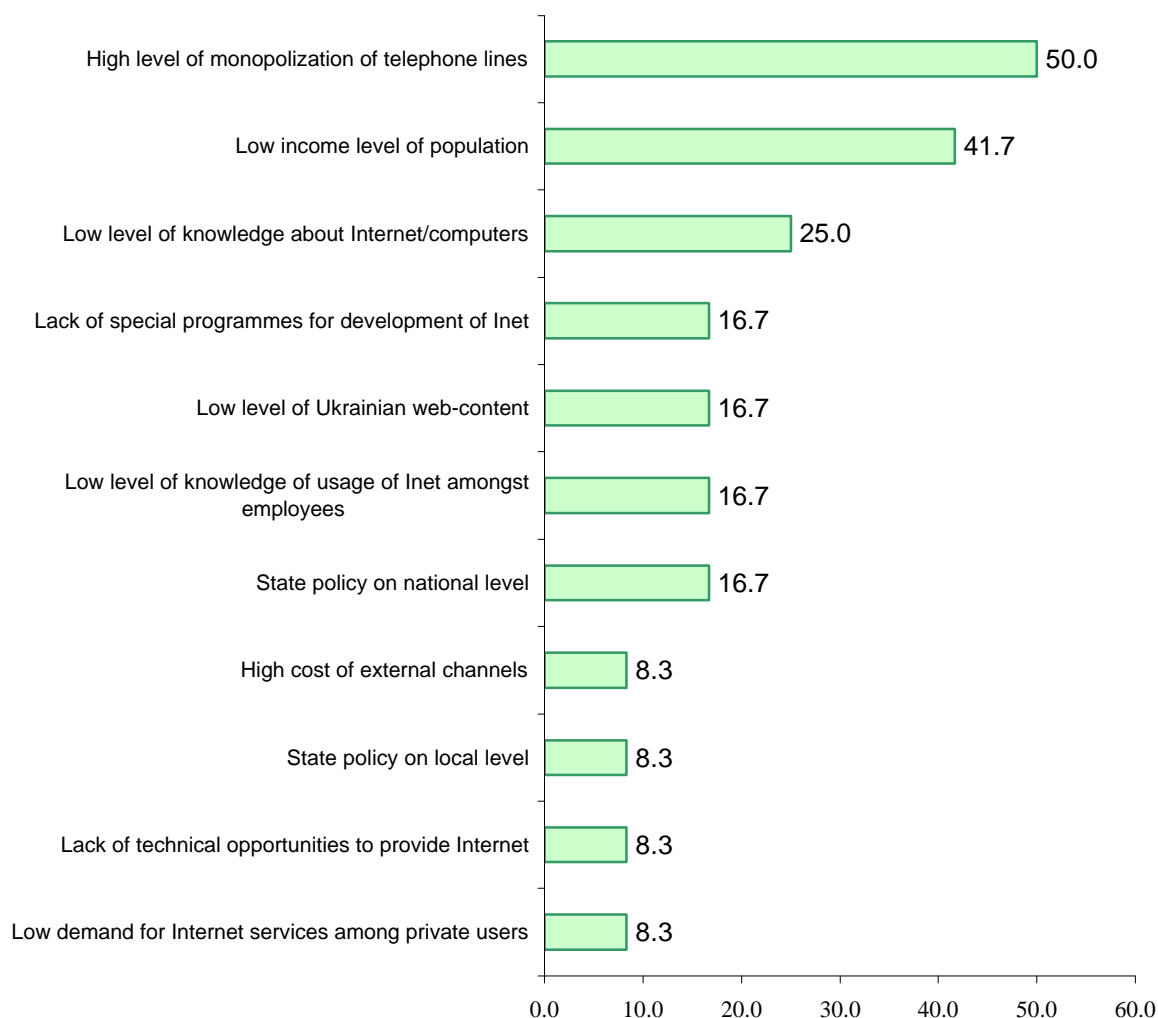


- ISPs believe their input lines are overloaded by 61% /? 20/.
- All ISPs provide leased line Internet access. ISPs evaluated that their leased lines are overloaded on average by 51.7% /? 21, ? 22/.

Main obstacles

- The main obstacles for Internet development in cities are: high level of telephone lines monopolization (50%) and low level of population income (41.7%) /B30/.

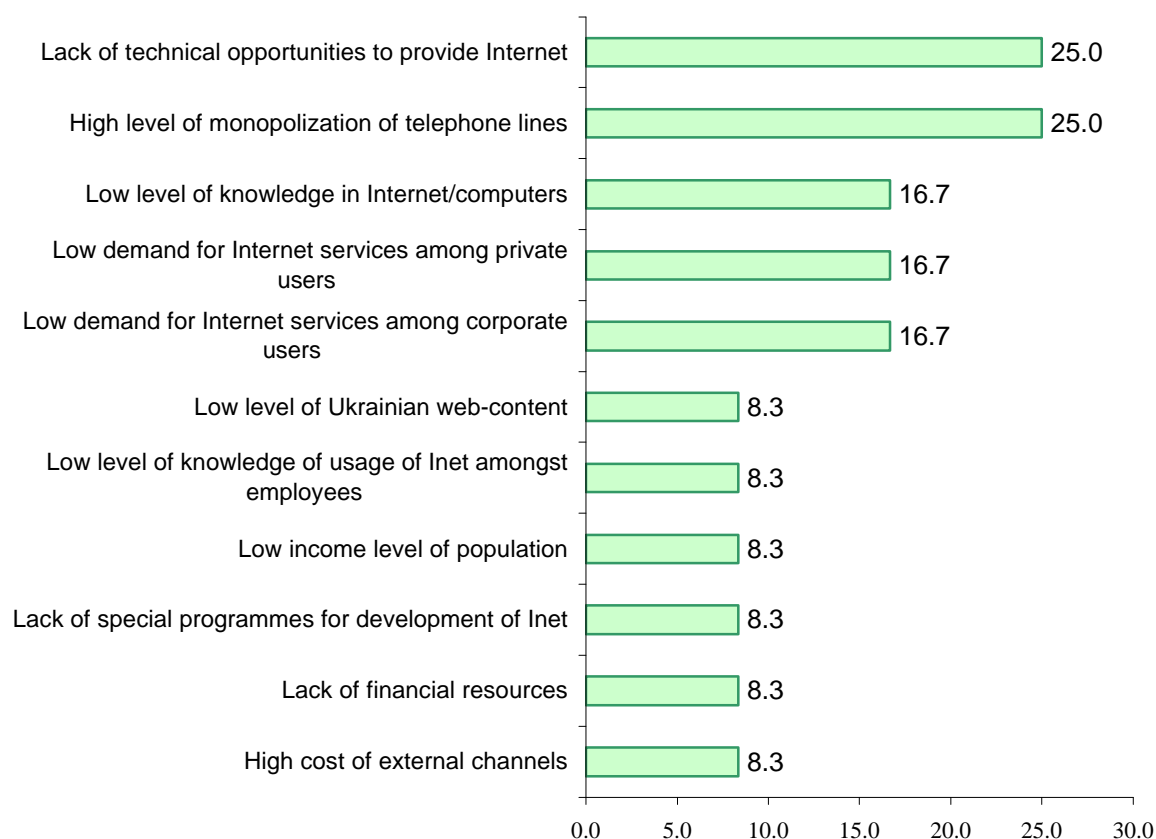
? 30. What are the obstacles in developing Internet Services in big cities?



Base: 12

- The main obstacles for Internet development in towns are: high level of telephone lines monopolization (25%) and lack of technical opportunities to provide Internet (25%) /B31/.

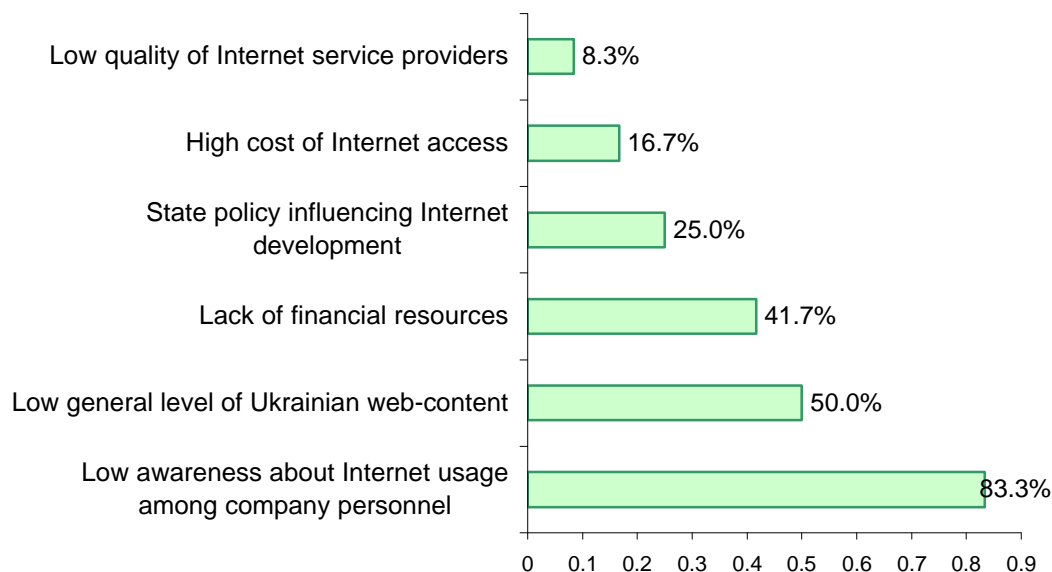
? 31. What are the obstacles in developing Internet Services in small towns?



Base: 12

- According to ISPs, the main obstacle for SMEs to use the Internet is low awareness about Internet usage among personnel of companies (83.3%) /B45/.

? 45. What are the three most important obstacles for SMEs to use the Internet?



Base: 12

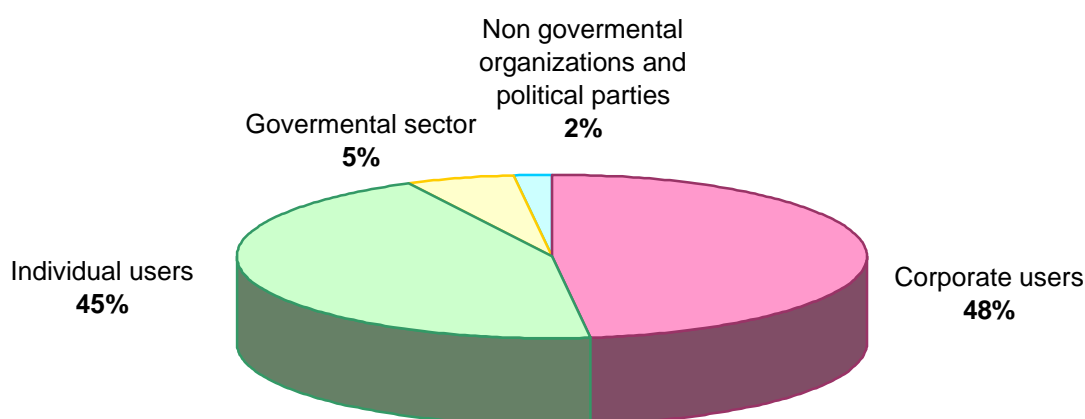
Web-sites

- ISPs estimate the availability of business related web sites in Ukraine as low (50%) and average (50%) /B32a/. Availability of business related web sites in Ukrainian and Russian is evaluated lower than sites in other languages (low - 75%, very low – 16.%) /B33/.

Main segment

- Two-thirds of ISPs report that their main market is corporate Internet users /B36/. In the future, ISPs believe that the share of private Internet users will increase /B38/.
- On average, corporate users comprise 48% of total ISP users /? .37/.

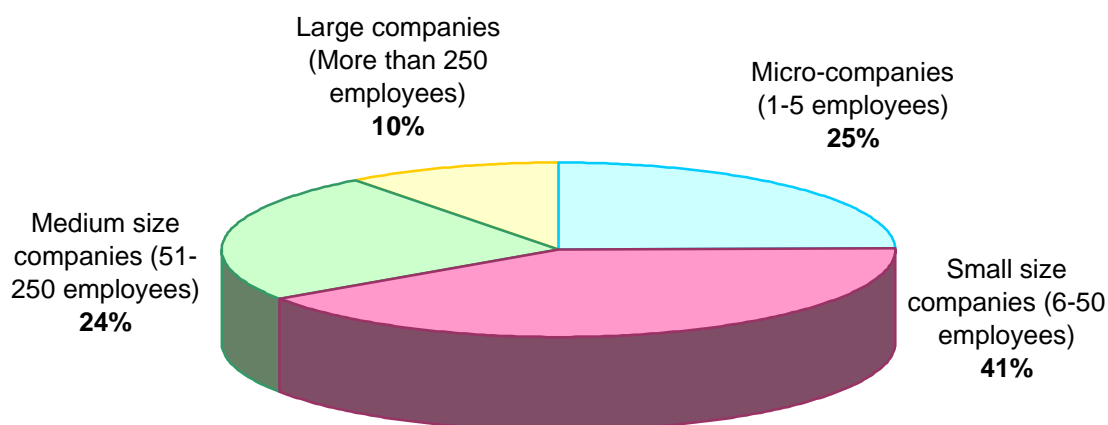
? 37. What is the percentage ratio among Internet users your company serves?



Base: 12

- The majority of ISP corporate clients are SMEs /B40/. Small size companies (6-50 employees) will remain the main segment for ISPs during the next few years (about 67%) /B41/.

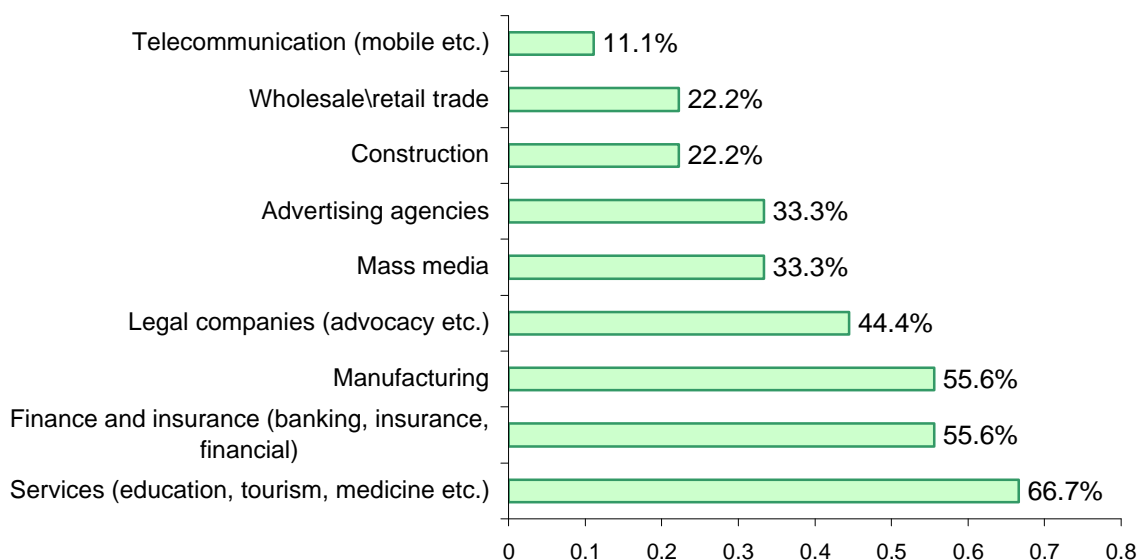
? 40. What is the percentage ratio among your corporate users?



Base: 12

- The most active SME Internet users belong to such spheres of activity as: service (education, medicine, tourism etc.), manufacture, finance and insurance /? 42/.

? 42. To what sphere of activity does small and medium companies which use services from your company mainly belong?

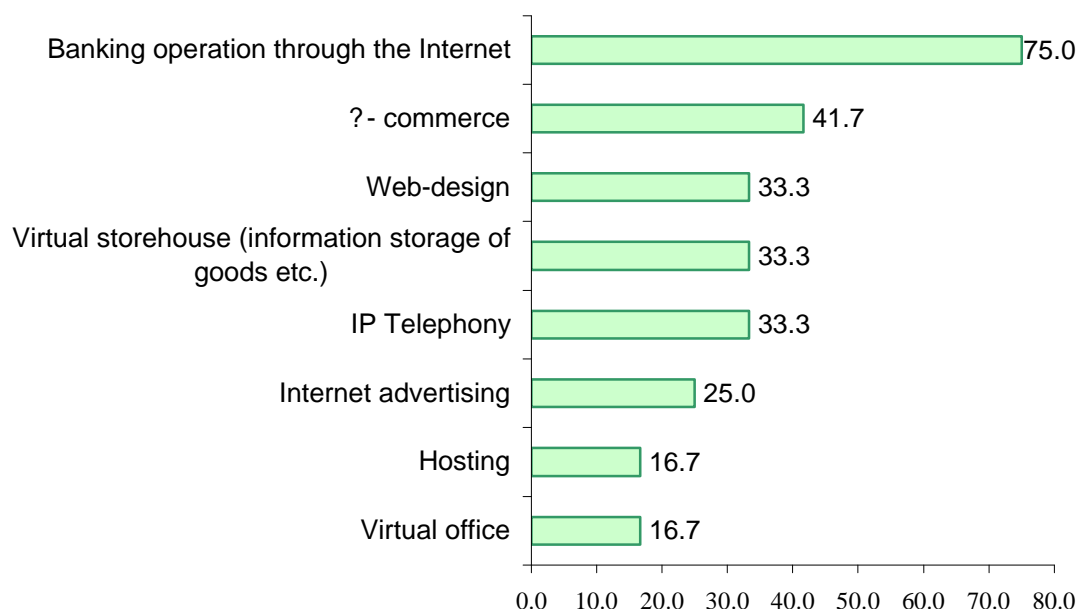


Base: 9 - ISPs that have SMEs clients

To increase SME demand for Internet services:

- In order to increase demand for Internet services among SMEs, it is necessary to first develop banking operations through the Internet (75%) /B46/.

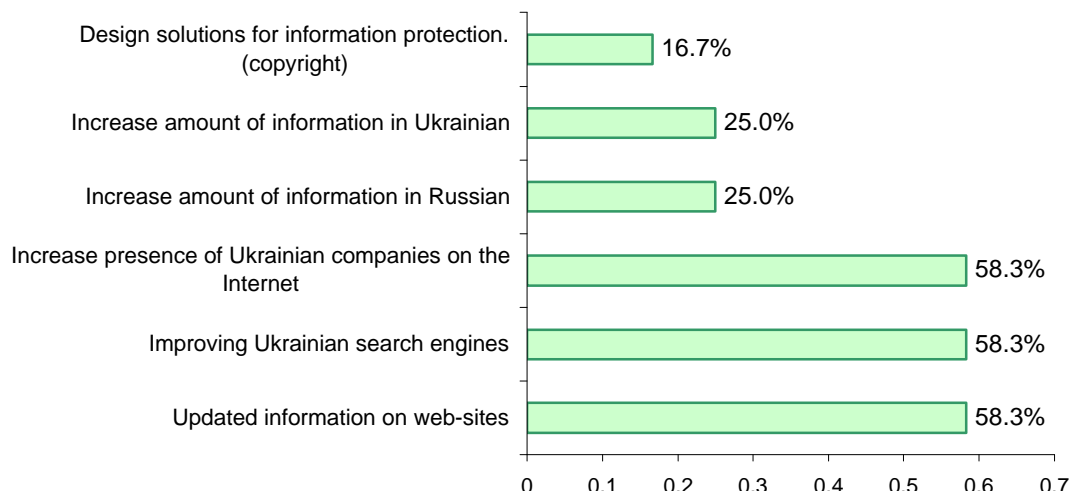
? 46. What services have to be developed first in order to increase demand from small and medium companies for Internet services?



Base: 12

- ISPs consider that web content needs to be improved in the following directions: update information on web sites, improve and develop search engines and increase the presence of Ukrainian companies on the Internet /B47/.

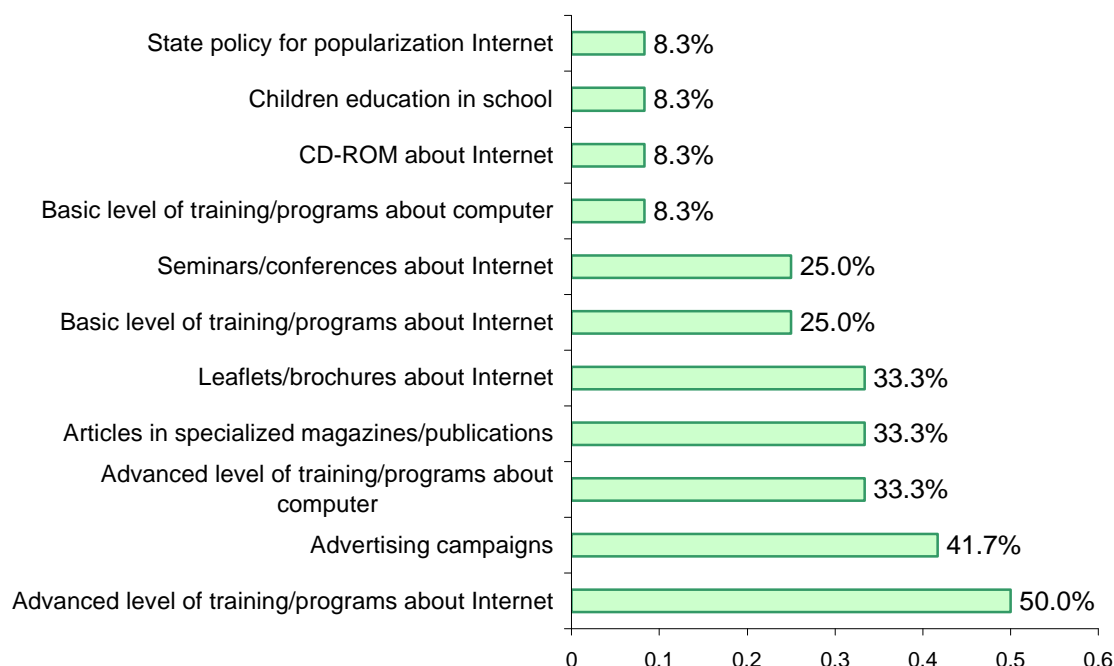
? 47. What have to be improved in Ukrainian web-content first in order to increase demand from small and medium companies for Internet services?



Base: 12

- ISPs believe that advanced Internet training programs as well as advertising campaigns would best assist SMEs to use more web-content. /B48/.

? 48. What would assist small and medium size companies to use more web-content?



Base: 12

Cooperating with Ukrtelecom

- 58.2% of ISPs reported problems in cooperating with Ukrtelecom /B59/. The main problem cited was Ukrtelecom's monopoly policy. /? 60/

Variations:

- Beyond ISP opinions regarding the main obstacles to developing Internet services in cities and towns, no further significant differences in responses could be ascertained based on ISP

location and size of firm.

WEB CONTENT PROVIDERS

Profile of Web Content providers

- The majority of surveyed web content providers (68%) are companies which provide web content in addition to their main sphere of activity /**B4**/
- An average web content company has 26-30 employees /**B5**/
- The majority of companies were founded between 1994 and 2000. They started to provide web content since 1998. /**B13**/
- Web content services make up a small share in company turnover compared with other services provided. /**B15**/
- 60% of respondents are private companies.

? 4. Does your organization? (%)	
Provide web content in addition to its main activities	68.0
Provide web content only	32.0
? 5. How many employees work in your company (total number)? (mean)	
Web content provider	26.1
Provides web content in addition to its activity	30.0
? 6. How many web- programmers work in your company? (mean)	
Web content provider	4.3
Provides web content in addition to its activity	3.5
? 7. How many other technical employees work in your company? (mean)	
Web content provider	5.4
Provides web content in addition to its activity	11.9
? 8. How many employees work in marketing/sales departments? (mean)	
Web content provider	3.4
Provides web content in addition to its activity	4.5
B13. In what year was your company founded? (%)	
1991/1992	8.0/8.0
1993	4.0
1994	16.0
1997	16.0
1998	20.0
1999	16.0
2000	12.0

B14. In what year did you company start to provide web content? (%)	
1993/1994	4.0/4.0
1995	8.0

1996	4.0
1997	8.0
1998	20.0
1999	28.0
2000	24.0
? 15. What percentage of turnover does web content comprise relative to other services provided by your company? (%)	
Web content	28.4
Other services	71.2

Services

- The most widespread services provided by web content providers are: creating web-sites/web-design (88%), domain registration (88%), web hosting (84%), and creating and placing advertising on the Internet (80%) /**B17**/.
- However, they believe the most promising services are not related to web content, but to providing leased lines (60%) and IP telephony (52%). The most prospective web content services are: creation of e-commerce platforms (48%) and creation of web-sites/web-design (48%) /**B18**/.

? 17. What services do your company provide?

B18. Which of the following services do you consider to be the most prospective in the Ukrainian market for the next two years?

	Provided services	Prospective services
Creating web-sites/web-design	88,0	48,0
Domain registration	88,0	0,0
Web hosting	84,0	8,0
Creating and placing advertising on Internet (banners etc.)	80,0	8,0
Dial up	76,0	20,0
Leased line	68,0	60,0
Software creation	68,0	32,0
Content projects	64,0	24,0
Creating LAN	64,0	4,0
Providing IP addresses	60,0	4,0
Technical services (equipment installation, tuning...)	60,0	12,0
Provide access channels to other providers	52,0	8,0
Creating E-commerce platforms.	48,0	48,0
Data transmission (frame relay)	44,0	8,0

	Provided services	Prospective services
Video conferencing	40,0	8,0
Creating platforms for banking operations through the Internet	32,0	40,0
IP Telephony	32,0	52,0
Pre-paid cards	32,0	8,0
Training	32,0	8,0
Collocation	28,0	16,0
Satellite access to Internet	20,0	20,0
Callback	0,0	4,0
Base	25	25

- Currently, the most published web content is news (72%) that covers as many Internet users as possible. In addition, a significant share of web content providers supply information about Ukrainian business partners and markets (56%), currency rates (48%), and prices, products and suppliers (48%) /B21/.
- Web content providers mainly plan to develop content for the corporate sector by providing more information about Ukrainian business partners and markets (20%), management information and consulting services (16%), and information for start-up businesses (16%) /B23/.

?21. What type of web content does your company provide at present?

B22. Which of the stated services are chargeable?

?23. What type of web content does your company plan to provide?

	Provided web content	Chargeable	Planned web content
News	72,0	12,0	4,0
Information about Ukrainian business partners and markets	56,0	12,0	20,0
Currency rates	48,0	0,0	0,0
Information about prices, products and suppliers	48,0	12,0	8,0
Information about equipment and technology	44,0	0,0	4,0
Stock indices	28,0	4,0	4,0
Information about financial resources	24,0	8,0	8,0
Information about NIS business partners and markets	24,0	8,0	12,0
Legal information	24,0	8,0	8,0
Accounting and tax information	16,0	8,0	8,0
Information for start-up business	12,0	0,0	16,0

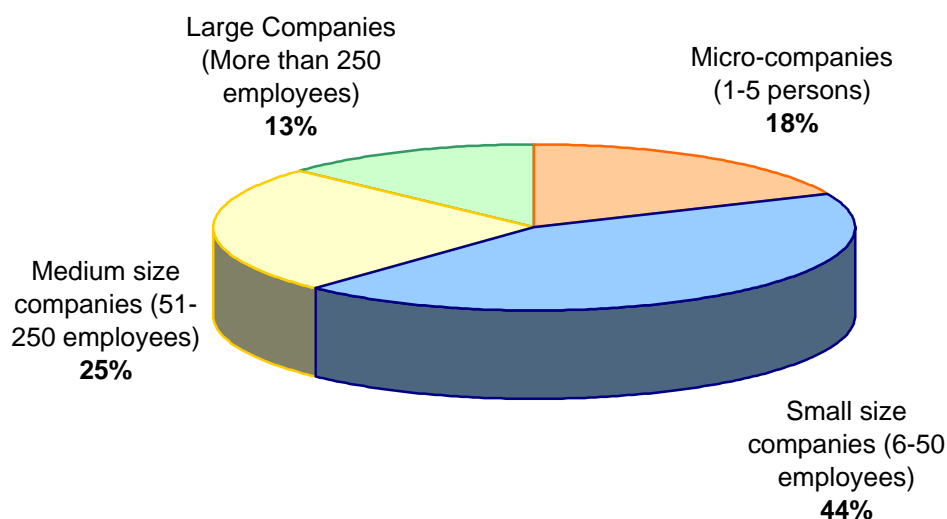
	Provided web content	Chargeable	Planned web content
Information about foreign business partners and markets	8,0	4,0	12,0
Management information and consulting services	8,0	4,0	16,0
Training	8,0	8,0	12,0
Difficult to answer	4,0	56,0	32,0
Base	25	25	25

- Today, individual users are the main business segment for web content providers (52%) /B26/. However, the importance of corporate users will increase (44% of web content providers consider corporate users as the main segment for their business in the future) /B28/.

Corporate clients

- Eighty-seven (87) percent of corporate users of web content are SMEs. Small firms, with between 6 and 50 employees, are the largest consumers (43.7%) within the corporate sector /B30/. They will remain the largest consumers of web content over the next couple of years (40%) /B31/.

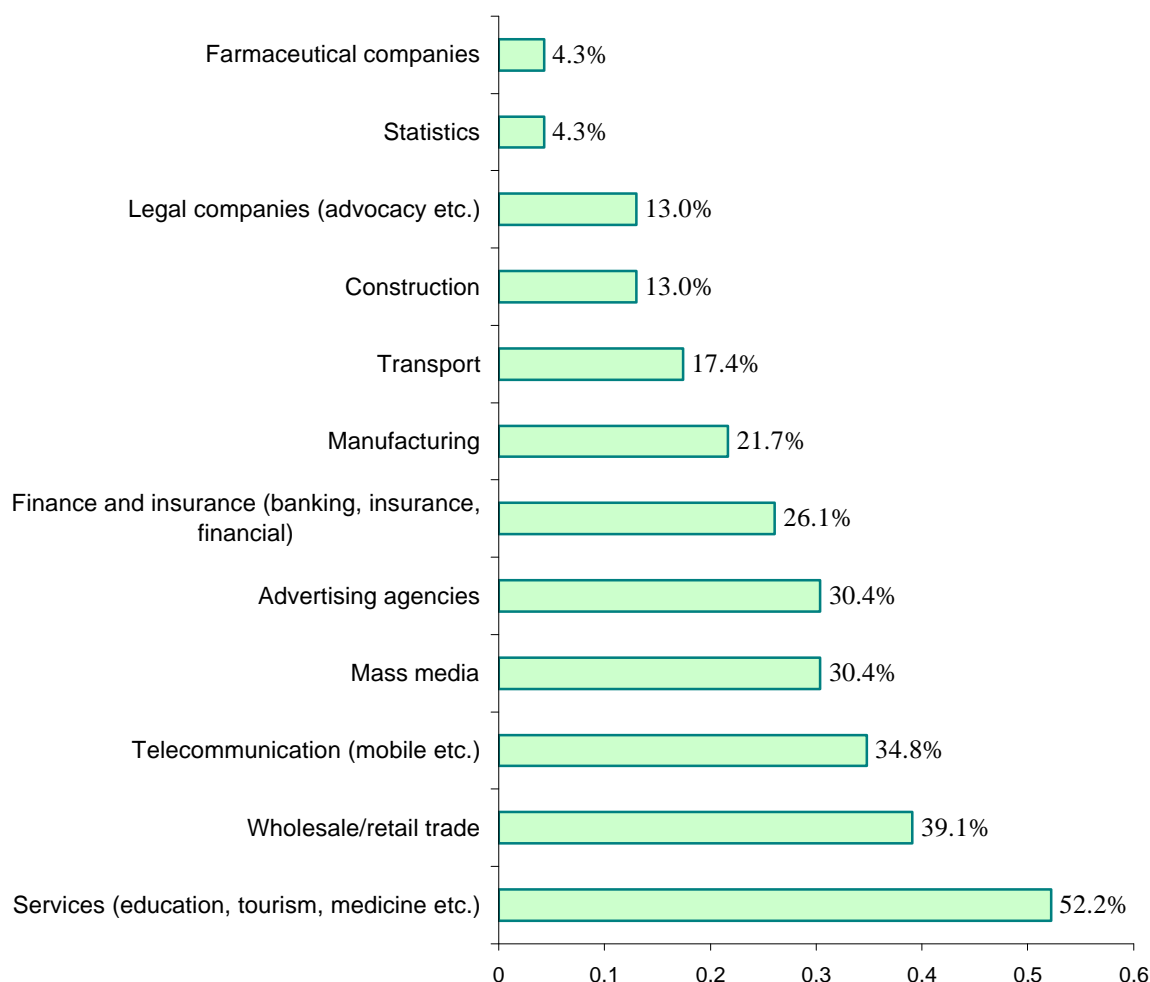
? 30. What is the percentage ratio among your corporate web content users?



Base: 23 - that have corporate users

- The majority of SMEs that use web content are in services (education, tourism, medicine) (52.2%), wholesale/retail trade (39.1%), and telecommunications (34.8%).

? 34. To what sphere of activity do small and medium companies which use web content from your organization mainly belong?

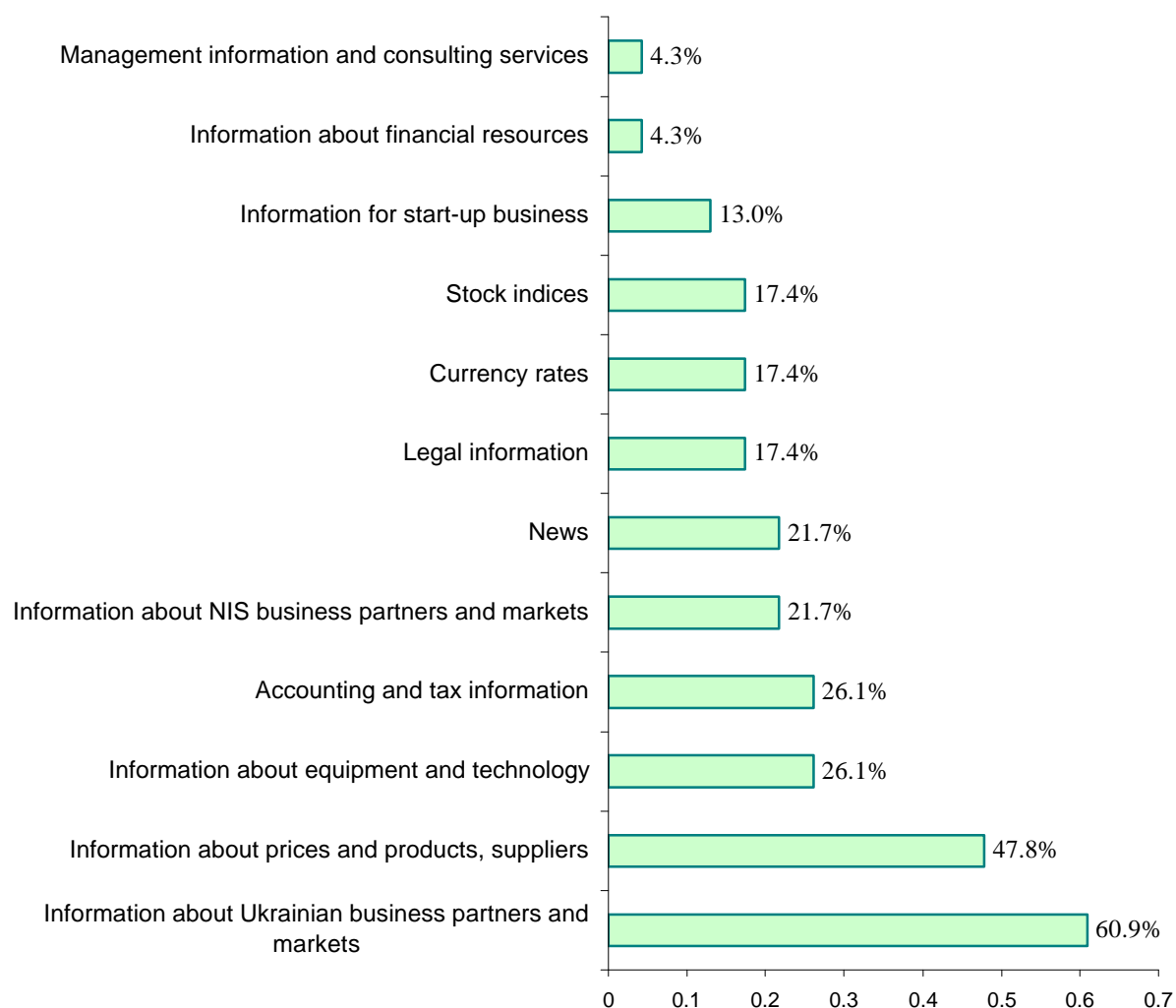


Base: 23 - that have corporate users

- Web content providers surveyed believe that the greatest obstacles facing SMEs in using the Internet are: lack of financial resources (72.0%), low awareness about Internet usage among companies personnel (64.0%) and low general level of Ukrainian web content (60.0%)

- SMEs most frequently use information about Ukrainian business partners and markets (60.9%), and prices, products and suppliers (47.8%) /B32/.

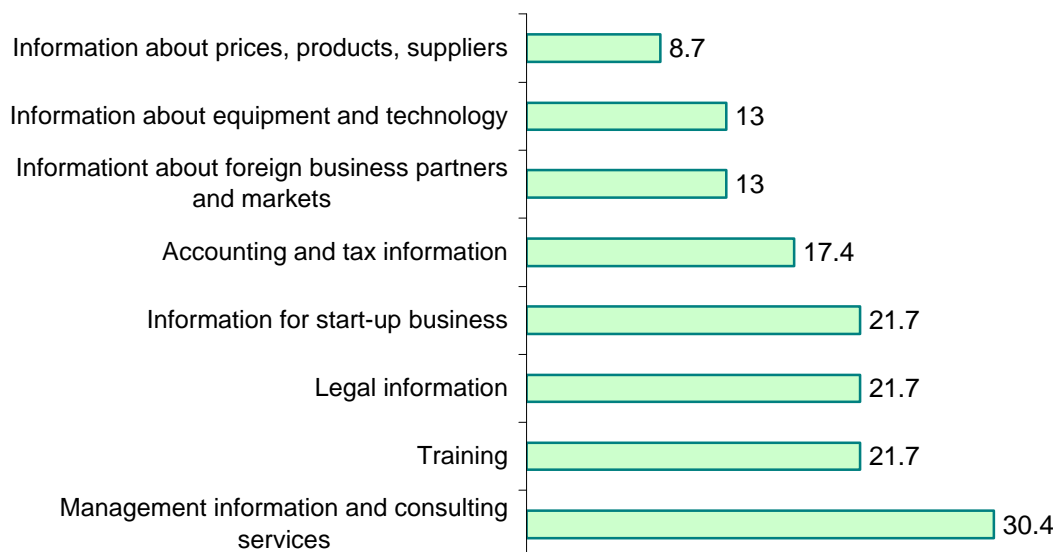
? 32. What type of web content is used by small and medium companies most of all?



Base: 23 - that have corporate users

- Web content providers believe that the following content, currently absent from the Internet, would be useful to SMEs: management information and consulting services (30.4%) and training (21.7%), legal information (21.7%), and information for start-up businesses (21.7%) /B33/.

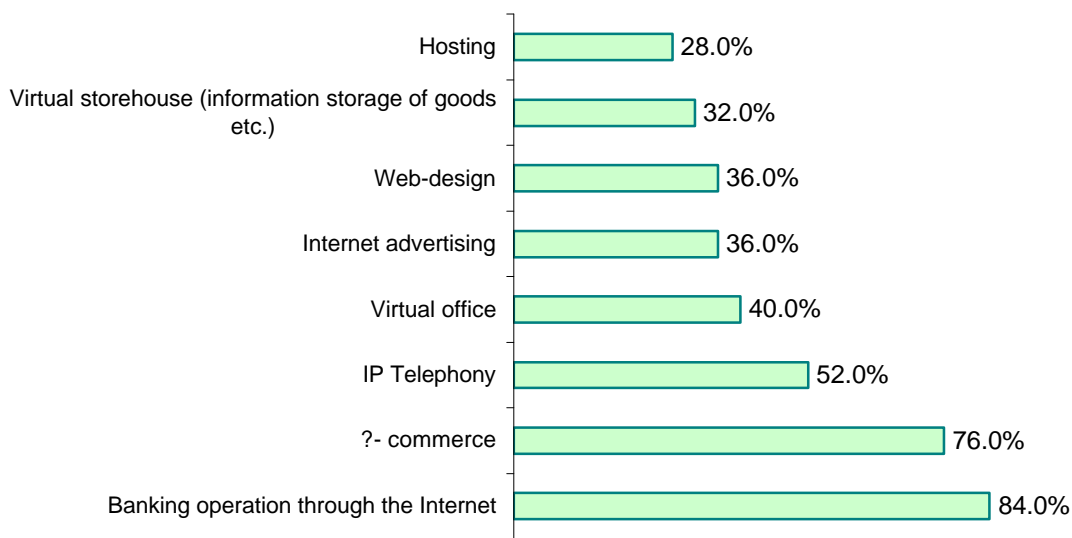
? 33. What type of web content that could be useful for small and medium companies is absent in the Internet?



To increase SME demand for Internet services:

- Develop additional web services, most important of which are banking (84.0%) and e-commerce (76%) in order to increase the demand of SMEs for Internet services /B46/.

? 46. What services have to be developed in the first place to increase demand of small and medium companies for Internet services?



Base: 25

- Improve web content by updating information on the web (80.0%), and increasing the presence of Ukrainian companies on-line (72%) /**B47**/

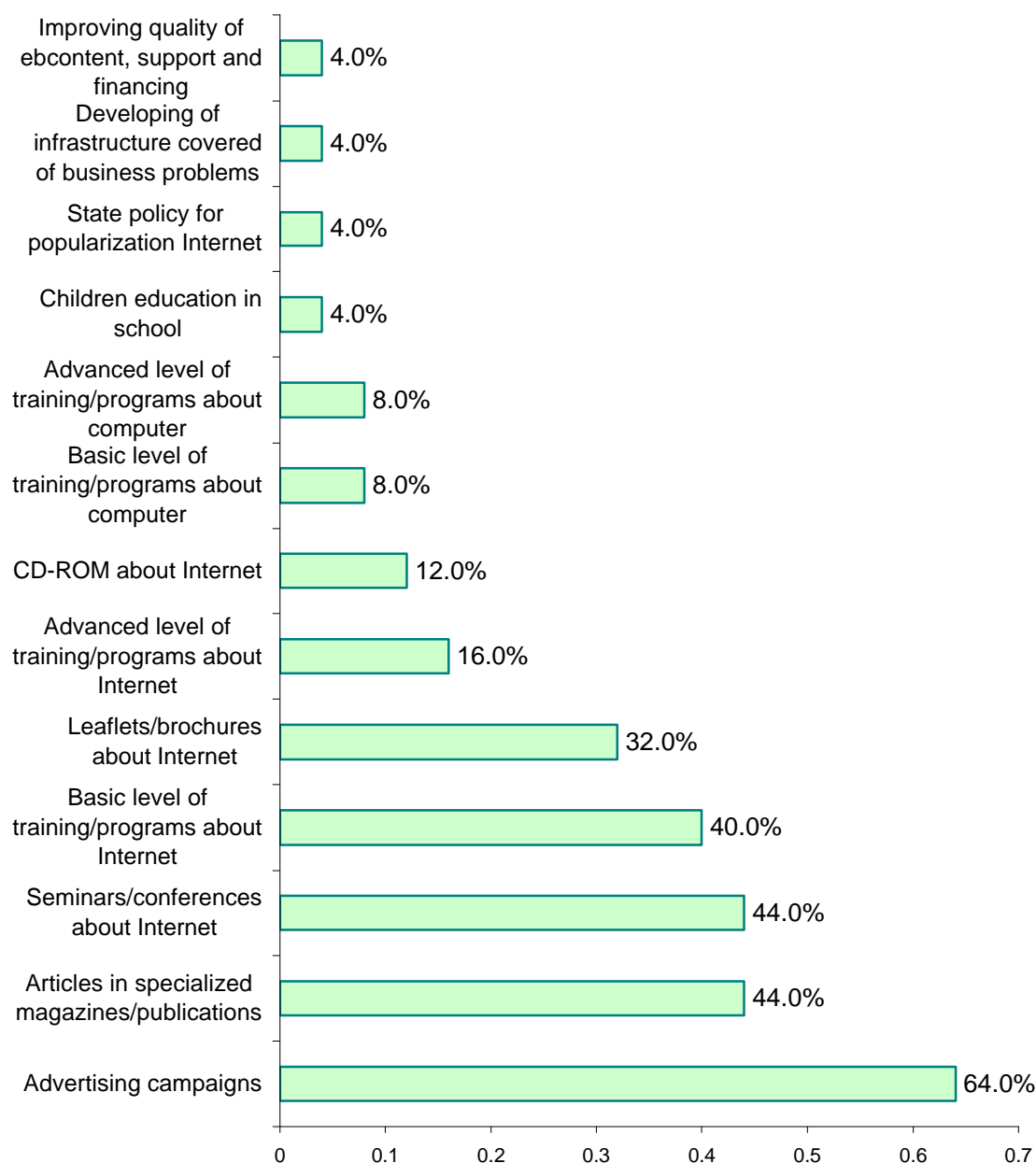
? 47. What have to be improved in the first place in Ukrainian web content to increase demand from small and medium companies for Internet services?



Base: 25

- Launch advertising campaigns (64%), publish articles in specialized magazines/publications (44%), and sponsor seminars and conferences (44%) to best assist SMEs use more web content in Web content providers opinion /B48/.

? 48. What would assist small and medium size companies to use more web content?

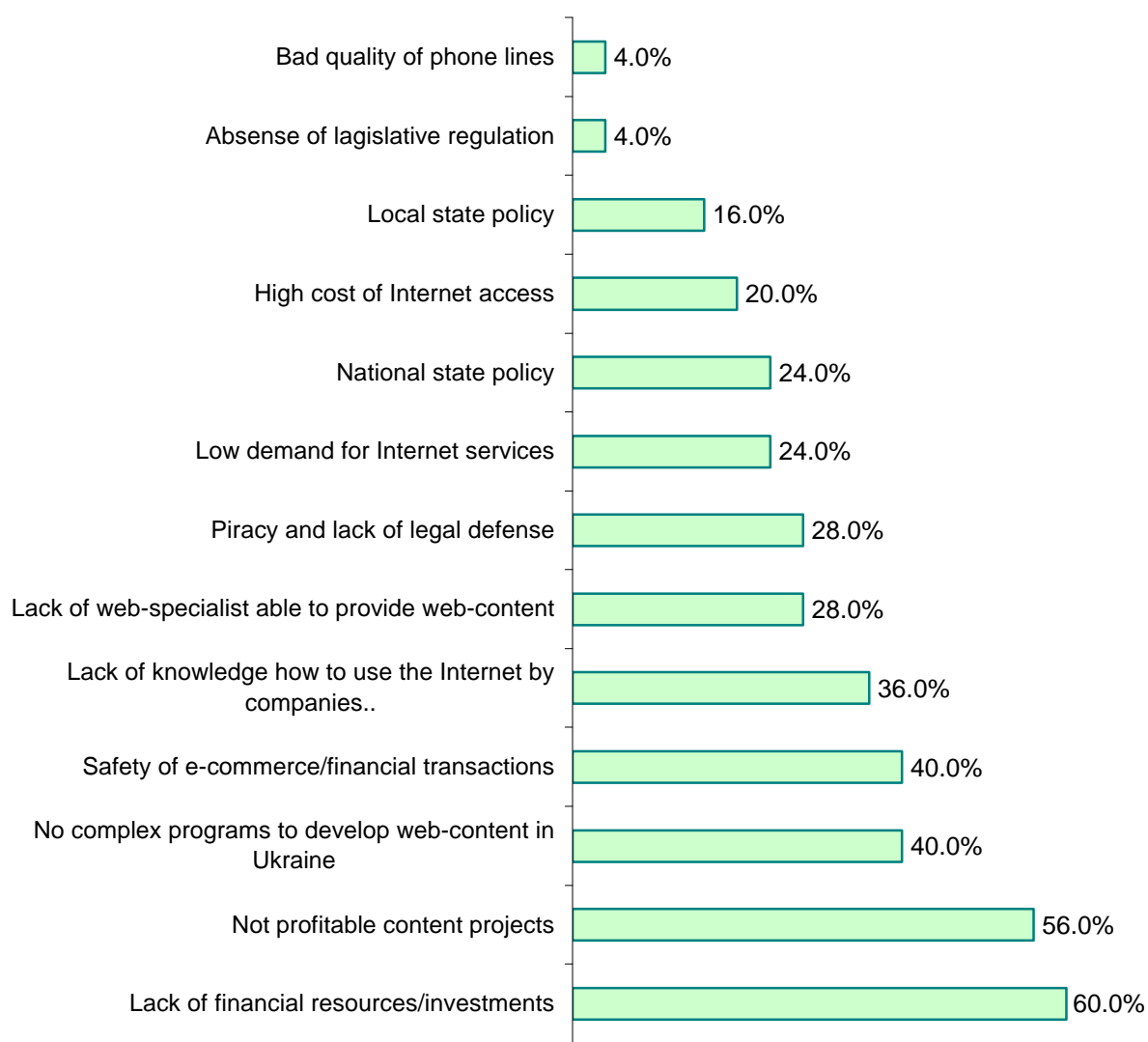


Base: 25

Obstacles for developing web content in Ukraine

- According to web content providers, the main obstacles for developing web content in Ukraine are lack of financial resources/investment (60%) and non-profitable content projects (56%) /B49/.

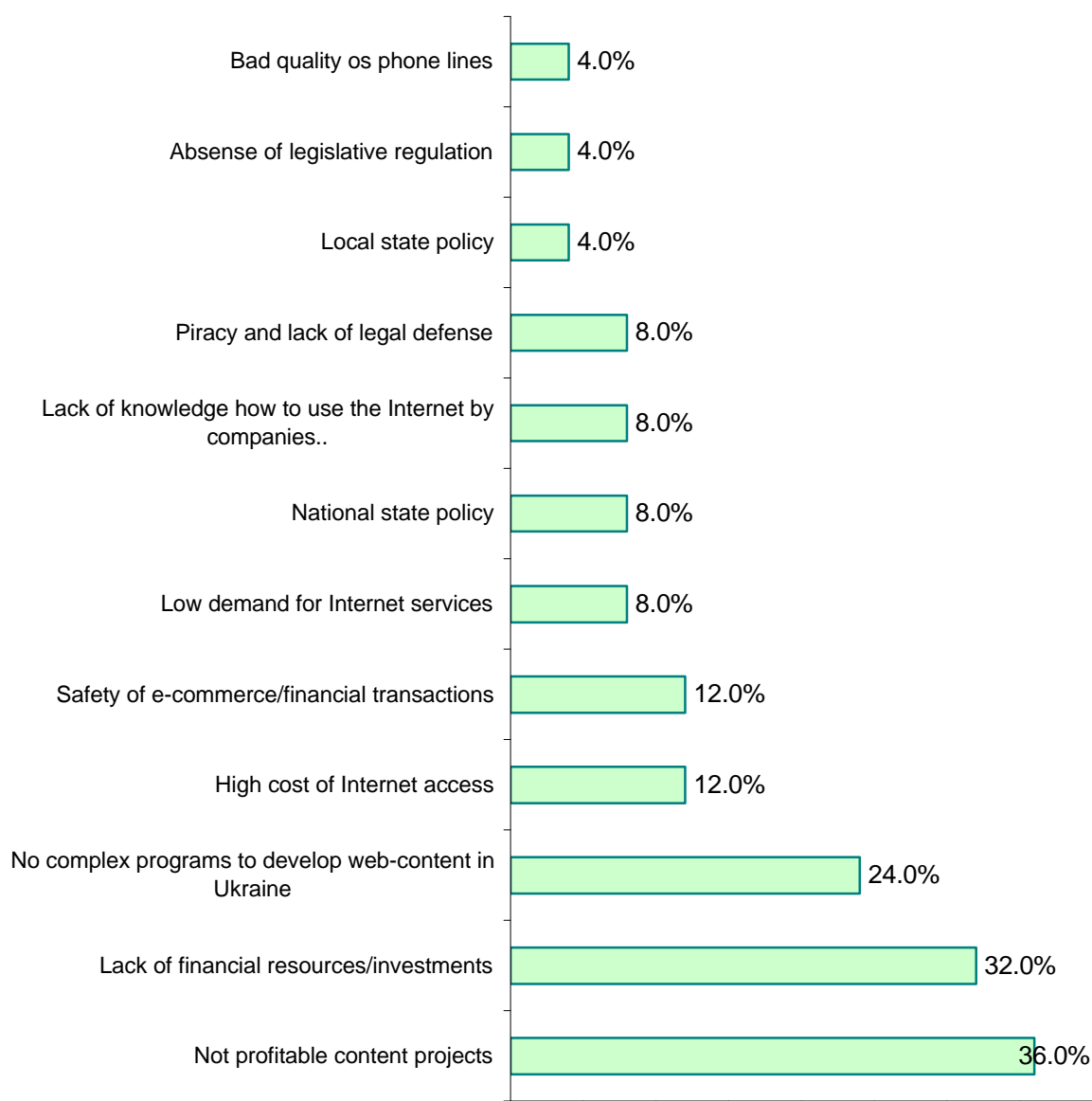
? 49. Which factors pose as obstacles for developing web content in Ukraine?



Base: 25

- For web content providers themselves the main factors which pose as obstacles to develop web content are non-profitability of content projects (36%) and lack of financial resources/investments (32%) /B50/.

? 50. Which factors pose as obstacles for your organization to develop web content?

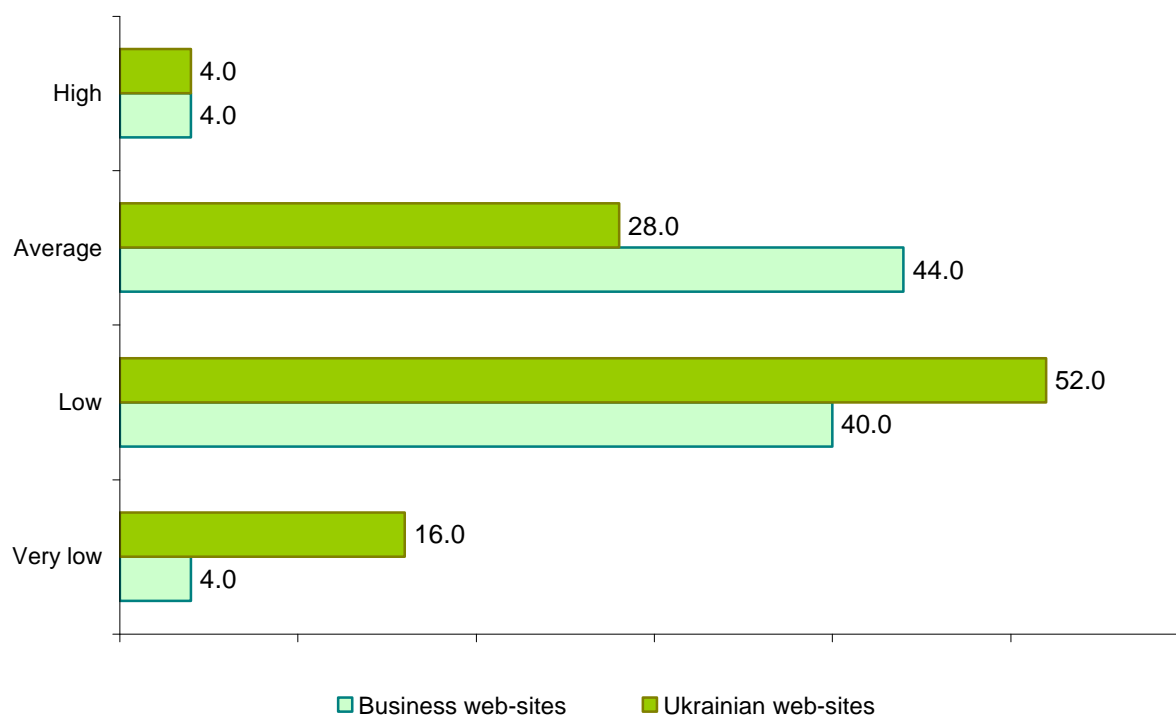


Base: 25

- Web content providers judge the availability of business web sites as low and very low (44%). They estimate the availability of business web sites in Ukrainian and Russian as even lower (68%) (low and very low).

? 61. What is the availability of business websites in the Internet?

? 62. What is the availability of websites in Ukrainian/Russian?



Base: 25

Variations:

No significant differences in responses were observed, based on location, size and other characteristics of the web content providers surveyed.

CONCLUSIONS

Comparison of key questions

- All surveyed organizations reported that the most important obstacles to use of the Internet for SMEs are: lack of financial resources, high cost of Internet services, low awareness among personnel, and low quality of Ukrainian content.

Among SMEs, Internet users felt low quality of Ukrainian web content was a very significant obstacle, while Internet non users accorded a higher priority to low level of awareness. All Support Organizations (both Internet users and non users) felt low awareness among SME personnel was a more critical factor than low quality of Ukrainian content. Both ISPs and web content providers believe that state policy influencing the development of the Internet is a significant factor influencing SME use of the Internet.

WHAT ARE THE THREE MOST IMPORTANT OBSTACLES FOR SMES TO USE INTERNET?

SME Internet users	SME Internet non-users	Support Organization Internet users	Support Organization Internet non-users	Public Facilities	ISPs	Web content providers
47.5% Low quality of Ukrainian web-content	55.5% Lack of financial resources	60.8% Lack of financial resources	75.9% Lack of financial resources	52% Low awareness about Internet usage among company personnel	83.3% Low awareness about Internet usage among company personnel	72% Lack of financial resources
42% High cost of Internet access	41.5% High cost of Internet access	41.2% High cost of Internet access	58.6% High cost of Internet access	40% Lack of financial resources	50% Low general level of Ukrainian web-content	64% Low awareness about Internet usage among company personnel
36.5% Lack of financial resources	39.5% Low awareness level about how to use Internet	33.3% Low awareness about Internet use among company personnel	41.4% Low awareness about Internet use among company personnel	40% High cost of Internet access	41.7% Lack of financial resources	60% Low general level of Ukrainian web-content

SME Internet users	SME Internet non-users	Support Organization Internet users	Support Organization Internet non-users	Public Facilities	ISPs	Web content providers
32.5% Low awareness about Internet use among company personnel	14.5% Low general level of Ukrainian web-content	31.4% Low general level of Ukrainian web-content	17.2% Low general level of Ukrainian web-content	24% Low general level of Ukrainian web-content	25% State policy influencing Internet development	24% State policy influencing Internet development

- In order to increase SME demand for the Internet, ISPs and web content providers believe that on-line banking, e-commerce and IP telephony are the most important Internet services to develop. Beyond these three on-line services, other surveyed organizations felt that Internet advertising was particularly important, as was web design.

What services have to be developed first, in order to increase demand from SMEs for Internet services?

SME Internet non-users	Support Organization Internet users	Support Organization Internet non-users	Public Facilities	ISPS	Web content providers
63.5% Internet advertising	51% E-commerce	48.3% Internet advertising	52% Web design	75% Banking operations through the Internet	84% Banking operations through the Internet
31.5% Virtual storehouse	45.1% Internet advertising	41.4% IP Telephony	48% IP Telephony	41.7% E-commerce	76% E-commerce
27.5% IP telephony	39.2% IP telephony	34% Banking operations via Internet	40% Internet advertising	33.3% IP telephony	52% IP telephony

- In order to increase SME demand for the Internet, all surveyed organizations believe that updating information on websites, improving Ukrainian search engines, and increasing the presence of Ukrainian enterprises on the Internet are the three most important ways of improve web content. All felt that updating website information was the most critical factor, except Support Organization Internet users who felt that improving Ukrainian search engines was of prime importance.

What have to be improved in Ukrainian web-content in order to increase demand from SMEs for Internet services?

SME Internet non-users	Support Organization Internet users	Support Organization Internet non-users	Public Facilities	ISPs	Web content providers
50% Update information on web-sites	86.3% Improve Ukrainian search engines	62.1% Update information on web-sites	64% Update information on web-sites	58.3% Update information on web-sites	80% Update information on web-sites
49.5% Increase presence of Ukrainian companies on the Internet	60.8% Update information on web-sites	62.1% Improve Ukrainian search engines	64% Improve Ukrainian search engines	58.3% Improve Ukrainian search engines	72% Increase presence of Ukrainian companies in the Internet
44.5% Improve Ukrainian search engines	60.8% Increase presence of Ukrainian companies on the Internet	51.7% Increase presence of Ukrainian companies on the Internet	60% Increase presence of Ukrainian companies on the Internet	58.3% Increase presence of Ukrainian companies in the Internet	56% Improve Ukrainian search engines

- All surveyed organizations, except for web content providers, accord a very high priority to basic and advanced training to assist SMEs to use web content more. Web content providers differed, believing that advertising campaigns, articles in specialized media, and seminars and conferences could do more to assist SMEs to use more web content.

WHAT WOULD ASSIST TO SMES TO USE MORE WEB-CONTENT?

SME Internet non-users	Support Organization Internet users	Support Organization Internet non-users	Public Facilities	ISPs	Web content providers
43.5% Basic level of training programs about Internet	70.6% Basic level of training programs about Internet	51.7% Basic level of training programs about Internet	36% Basic level of training programs about Internet	50% Advanced level of training programs about Internet	64% Advertising campaigns
25.5% Basic level of training programs about computer	35.3% Advanced level of training programs about Internet	34.5% CD ROM about Internet	24% Advanced level of training programs about computer	41.7% Advertising campaigns	44% Articles in specialized magazines / publications
22% CD ROMs about Internet	45.3% Advertising campaigns	24.1% Advanced level of training programs about Internet	20% Advanced level of training programs about Internet	33.3% Advanced level of training programs about computer	44% Seminars / conferences about Internet

- All surveyed organizations accorded a high priority to speed of data transmission and reliability of connections as among the most important characteristics of Internet services. Cost of Internet services was an important factor only for SME and Support Organization Internet non-users.

WHICH CHARACTERISTICS OF INTERNET SERVICES ARE IMPORTANT FOR YOUR ORGANIZATION?

SME Internet users	SME Internet non-users	Support Organization Internet users	Support Organization Internet non-users	Public Facilities
77.5% Speed of data transmission	68.6% Cost of Internet services	78.4% Reliability of connection	70% Reliability of connection	84% Speed of data transmission
75.5% Speed of connection	65.7% Reliability of connection	72.5% Speed of data transmission	60% Speed of data transmission	76% Speed of connection
75.5% Reliability of connection	57.1% Speed of connection	66.7% Speed of connection	60% Cost of Internet services	76% Reliability of connection

Related Market Research Data

The survey results of 400 SMEs, 80 Support Organizations, 12 ISPs, 25 web content providers and 25 public facilities from four cities and eight towns in Ukraine have been presented. This has provided a clear picture of the survey's first two objectives:

- The role that the Internet presently plays in supporting SMEs in the Ukraine; and
- Specific constraints that limit SME Internet access, mastery and content

The third objective is now approached: Recommendations to overcome these constraints, thereby increasing the utility of the Internet for SMEs in Ukraine. However, before doing so, it is important to look at the larger context of SMEs in Ukraine and how Ukrainian SMEs compare with small business Internet use globally. Fortunately, a number of recent studies and reports can be drawn upon.¹

Ukraine SMEs

- More than 50% of SMEs in Ukraine have personal computers.
- More than 20% of SMEs have Internet access.
- More than 75% of these SMEs use the Internet frequently.
- However, there are very large variations based on location and city vs town.
- There are fewer variations based on size of firm and SME sector.

¹ Results from the BIZPRO (KIIS), IFC and Dunn & Bradstreet surveys (2001, 2000-2001, 2001)

a. BIZPRO / KIIS SME survey of more than 5,000 small businesses in Ukraine
b. IFC SME survey of more than 1,700 small businesses in Ukraine
c. IFC Internet survey of 450 SMEs that use the Internet

- In any case, SMEs complain about poor Internet connections and high prices.

Ukraine Support Organizations

- The great majority of Ukraine SME Support Organizations utilize the Internet. This observation is based on: (a) the BIZPRO UBAN registration of Support Organizations where 70% report Internet access; and (b) this survey which had difficulty finding Support Organizations that didn't access the Internet.

Ukraine in Perspective

- Approximately 1.7% of Ukrainians access the Internet from some 280 ISPs.
- While the Ukraine Internet is growing 40% a year, the global Internet is growing by 50-55% annually.
- Ukraine is relatively new to e-business. In May 2000, the Economist Intelligence Unit ranked Ukraine 45th out of 60 countries in terms of its "e-business readiness, a composite of a country's business environment and connectivity.
- SMEs in Ukraine are behind other European colleagues. For example, an August 2001 survey found that more than 50% of Polish firms use the Internet. Another survey in May 2001 found that 59% of British small firms use the Internet
- In the United States, a March-April 2001 survey of 540 small firms by Dun & Bradstreet provided benchmarks in which we can compare Ukraine.

	SMEs with Internet Access	SMEs with Website	SMEs satisfied with web-site	SMEs receive orders online
US	67%	33%	23%	17%
Ukraine	20%	7.6%	2.7%	3.3%

What does this suggest?

- Internet across Ukrainian society is in its nascent stages.
- The small business sector is a leader in Internet adaptation in Ukraine
- SME Support Organizations are even more eager in pioneering Internet use
- Ukraine lags behind many countries in e-business adaptation
- Yet, there is a strong foundation for rapid growth in SME use of the Internet
- The Internet can serve as a useful tool for SME strengthening in Ukraine
- From the point of view of BizPro, this implies:
 - BIZPRO can use the Internet effectively in project operations
 - BIZPRO can contribute to strengthening the Internet as an SME tool broadly
 - Support Organizations are a good partner for Internet strengthening